**HENG TAI CONSUMABLES GROUP LIMITED**
**亨泰消費品集團有限公司**
Incorporated in the Cayman Islands with limited liability
Stock Code : 0197

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2011

The board (the "Board") of directors (the "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2011 (the "Period") together with the comparative figures for the corresponding period as follows:–

## CONDENSED CONSOLIDATED INCOME STATEMENT

*For the six months ended 31 December 2011*

| | | Six months ended 31 December | |
|---|---|---|---|
| | | **2011** | 2010 |
| | | **(Unaudited)** | (Unaudited) |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **TURNOVER** | *3,4* | **1,057,354** | 1,291,173 |
| Cost of sales | | **(843,771)** | (1,001,648) |
| Gross profit | | **213,583** | 289,525 |
| Changes in fair value of biological assets less costs to sell | | **(6,653)** | (5,618) |
| Other income | | **1,976** | 1,591 |
| Selling and distribution expenses | | **(77,692)** | (92,971) |
| Administrative expenses | | **(86,188)** | (76,343) |
| Other operating expenses | | **(4,384)** | (3,736) |
| **PROFIT FROM OPERATIONS** | | **40,642** | 112,448 |
| Finance costs | *5* | **(1,047)** | (2,132) |
| **PROFIT BEFORE TAX** | | **39,595** | 110,316 |
| Income tax expense | *6* | **(2,933)** | (6,756) |
| **PROFIT FOR THE PERIOD** | *7* | **36,662** | 103,560 |
| Attributable to: | | | |
| Owners of the Company | | **46,538** | 108,497 |
| Non-controlling interests | | **(9,876)** | (4,937) |
| | | **36,662** | 103,560 |
| **EARNINGS PER SHARE** | *9* | | (Restated) |
| – Basic | | **HK1.3 cents** | HK3.4 cents |
| – Diluted | | **HK1.3 cents** | HK3.3 cents |

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
*For the six months ended 31 December 2011*

| | Six months ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Profit for the Period** | **36,662** | 103,560 |
| **Other comprehensive income:** | | |
| Exchange differences on translating foreign operations | **13,937** | 9,637 |
| Fair value changes of available-for-sale financial assets | **–** | 8,392 |
| **Other comprehensive income for the Period, net of tax** | **13,937** | 18,029 |
| **Total comprehensive income for the Period** | **50,599** | 121,589 |
| **Total comprehensive income attributable to:** | | |
| Owners of the Company | **60,475** | 126,526 |
| Non-controlling interests | **(9,876)** | (4,937) |
| | **50,599** | 121,589 |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*At 31 December 2011*

| | *Note* | **31 December 2011 (Unaudited) *HK$'000*** | 30 June 2011 (Audited) *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | | **721,388** | 648,209 |
| Prepaid land lease payments | | **496,229** | 455,658 |
| Construction in progress | | **272,274** | 335,109 |
| Goodwill | | **282,525** | 282,525 |
| Biological assets | | **56,346** | 55,357 |
| Other intangible assets | | **84,494** | 106,391 |
| Other assets | | **53,885** | 70,846 |
| Investments in a club membership | | **108** | 108 |
| Investments | | **4,760** | 9,144 |
| | | **1,972,009** | 1,963,347 |
| **Current assets** | | | |
| Inventories | | **210,433** | 220,561 |
| Trade receivables | *10* | **455,974** | 390,922 |
| Prepayments, deposits and other receivables | | **333,558** | 305,032 |
| Investments | | **273** | 424 |
| Bank and cash balances | | **588,454** | 603,582 |
| | | **1,588,692** | 1,520,521 |
| **TOTAL ASSETS** | | **3,560,701** | 3,483,868 |
| **Capital and reserves** | | | |
| Share capital | *12* | **36,369** | 34,637 |
| Reserves | | **3,259,539** | 3,198,434 |
| **Equity attributable to owners of the Company** | | **3,295,908** | 3,233,071 |
| Non-controlling interests | | **(25,492)** | (16,378) |
| **Total equity** | | **3,270,416** | 3,216,693 |
| **Non-current liabilities** | | | |
| Finance lease payables | | **542** | 846 |
| Deferred tax liabilities | | **2,824** | 2,774 |
| | | **3,366** | 3,620 |
| **Current liabilities** | | | |
| Trade payables | *11* | **97,631** | 98,755 |
| Accruals and other payables | | **30,247** | 19,356 |
| Borrowings | | **137,223** | 126,601 |
| Finance lease payables | | **542** | 500 |
| Current tax liabilities | | **21,276** | 18,343 |
| | | **286,919** | 263,555 |
| **Total liabilities** | | **290,285** | 267,175 |
| **TOTAL EQUITY AND LIABILITIES** | | **3,560,701** | 3,483,868 |
| **Net current assets** | | **1,301,773** | 1,256,966 |
| **Total assets less current liabilities** | | **3,273,782** | 3,220,313 |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 31 December 2011*

| | Unaudited | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | | | | |
| | **Share capital** | **Share premium account** | **Legal reserve** | **Foreign currency translation reserve** | **Share-based payment reserve** | **Property revaluation reserve** | **Investment revaluation reserve** | **Retained profits** | **Proposed final dividend** | **Total** | **Non-controlling interests** | **Total equity** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 July 2010 | 28,285 | 1,279,501 | 97 | 125,083 | 18,023 | 929 | (20,104) | 1,151,081 | 29,177 | 2,612,072 | (2,753) | 2,609,319 |
| Total comprehensive income for the period | – | – | – | 9,637 | – | – | 8,392 | 108,497 | – | 126,526 | (4,937) | 121,589 |
| Shares issued on placing | 3,350 | 375,225 | – | – | – | – | – | – | – | 378,575 | – | 378,575 |
| Shares issued on exercise of share options | 1,168 | 84,328 | – | – | (15,069) | – | – | – | – | 70,427 | – | 70,427 |
| Transfer of reserve upon cancellation of share options | – | – | – | – | (42) | – | – | 42 | – | – | – | – |
| Adjustment to 2010 proposed final dividend | – | – | – | – | – | – | – | (3,626) | 3,626 | – | – | – |
| At 31 December 2010 | 32,803 | 1,739,054 | 97 | 134,720 | 2,912 | 929 | (11,712) | 1,255,994 | 32,803 | 3,187,600 | (7,690) | 3,179,910 |
| At 1 July 2011 | 34,637 | 1,750,030 | 97 | 160,593 | 8,142 | 929 | – | 1,278,643 | – | 3,233,071 | (16,378) | 3,216,693 |
| Total comprehensive income for the period | – | – | – | 13,937 | – | – | – | 46,538 | – | 60,475 | (9,876) | 50,599 |
| Business combinations | – | – | – | – | – | – | – | – | – | – | 762 | 762 |
| Bonus issue of shares | 1,732 | – | – | – | – | – | – | (1,732) | – | – | – | – |
| Recognition of share-based payment | – | – | – | – | 2,362 | – | – | – | – | 2,362 | – | 2,362 |
| At 31 December 2011 | **36,369** | **1,750,030** | **97** | **174,530** | **10,504** | **929** | **–** | **1,323,449** | **–** | **3,295,908** | **(25,492)** | **3,270,416** |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 31 December 2011*

| | Six months ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| NET CASH GENERATED FROM OPERATING ACTIVITIES | **50,134** | 22,727 |
| NET CASH USED IN INVESTING ACTIVITIES | **(82,282)** | (246,215) |
| NET CASH GENERATED FROM FINANCING ACTIVITIES | **10,360** | 336,576 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | **(21,788)** | 113,088 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | **6,660** | 4,271 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | **603,582** | 519,251 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | **588,454** | 636,610 |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Bank and cash balances | **588,454** | 636,610 |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 31 December 2011*

### 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2011. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements and segment information are consistent with those used in the audited financial statements and segment information for the year ended 30 June 2011.

### 2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2011. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and the prior period.

The Group did not apply the new HKFRSs that have been issued but are not yet effective. The Group commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

### 3. TURNOVER

The Group's turnover which represents sales of fast moving consumer goods ("FMCG"), agri-products, and revenue from logistics services was as follows:

| | **Six months ended 31 December** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Sales of consumer goods | **426,465** | 592,380 |
| Sales of agri-products | **530,027** | 594,225 |
| Logistics services income | **100,862** | 104,568 |
| | **1,057,354** | 1,291,173 |

## 4. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of FMCG including packaged food, beverages, household consumable products, cosmetic products and cold chain products ("FMCG Trading Business");

(ii) The cultivation, sale and trading of fresh and processed fruits and vegetables ("Agri-Products Business"); and

(iii) Provision of logistics services ("Logistics Services Business").

There were no significant sales between the reportable operating segments.

The segment information of the Group were as follows:–

| | **FMCG Trading Business (Unaudited)** ***HK$'000*** | **Agri-Products Business (Unaudited)** ***HK$'000*** | **Logistics Services Business (Unaudited)** ***HK$'000*** | **Total (Unaudited)** ***HK$'000*** |
|---|---|---|---|---|
| **For the six months ended 31 December 2011** | | | | |
| Revenue from external customers | **426,465** | **530,027** | **100,862** | **1,057,354** |
| Segment profit | **15,764** | **12,034** | **29,743** | **57,541** |
| **At 31 December 2011** | | | | |
| Segment assets | **1,167,025** | **1,673,332** | **636,826** | **3,477,183** |

| | FMCG Trading Business (Unaudited) *HK$'000* | Agri-Products Business (Unaudited) *HK$'000* | Logistics Services Business (Unaudited) *HK$'000* | Total (Unaudited) *HK$'000* |
|---|---|---|---|---|
| **For the six months ended 31 December 2010** | | | | |
| Revenue from external customers | 592,380 | 594,225 | 104,568 | 1,291,173 |
| Segment profit | 73,734 | 21,820 | 45,488 | 141,042 |
| **At 30 June 2011** | | | | |
| Segment assets | 1,162,560 | 1,543,176 | 655,180 | 3,360,916 |

| | Six months ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| **Reconciliations of segment profit:** | | |
| Total profit of reportable segments | **57,541** | 141,042 |
| Corporate and unallocated expenses | **(20,879)** | (37,482) |
| Consolidated profit for the Period | **36,662** | 103,560 |

## 5. FINANCE COSTS

| | Six months ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Interest on borrowings | **1,022** | 2,120 |
| Finance lease charges | **25** | 12 |
| | **1,047** | 2,132 |

## 6. INCOME TAX EXPENSE

| | Six months ended 31 December | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Current period tax: | | |
| Overseas | **2,933** | 6,756 |

No provision for Hong Kong Profits Tax has been made for the Period as the Group did not generate any assessable profits arising in Hong Kong during the Period.

Tax charge on profits assessable elsewhere in other jurisdictions have been calculated at the rates of tax prevailing in the relevant jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

According to the Income Tax Law of the Macau Special Administrative Region, Macau Complementary Tax is calculated at a progressive rate from 9% to 12% (2010: 9% to 12%) on the estimated assessable profits for the Period with the first two hundred thousand patacas assessable profits being free from tax. However, two subsidiaries operating in Macau during the Period are in compliance with the Decree-Law No. 58/99M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax. Further, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2010: 25%), based on existing legislation, interpretation and practices in respect thereof.

## 7. PROFIT FOR THE PERIOD

The Group's profit for the Period is stated after charging the following:

| | **Six months ended 31 December** | |
|---|---|---|
| | **2011** | 2010 |
| | **(Unaudited)** | (Unaudited) |
| | ***HK$'000*** | *HK$'000* |
| Amortisation and depreciation, net of amount capitalised | **68,129** | 55,807 |
| Cost of inventories sold | **815,746** | 979,727 |
| Directors' emoluments | **2,896** | 2,459 |
| Equity-settled share-based payment | **2,362** | – |
| Impairment loss on available-for-sale financial assets | **4,384** | – |
| Operating lease charges in respect of land and buildings, net of amount capitalised | **46,051** | 29,765 |

## 8. DIVIDEND

The Board resolved not to pay any interim dividend for the six months ended 31 December 2011 (2010: Nil).

## 9. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to owners of the Company was based on the Group's profit for the Period attributable to owners of the Company of approximately HK$46,538,000 (2010: approximately HK$108,497,000) and the weighted average number of ordinary shares of the Company of 3,636,917,261 (2010 restated: 3,230,117,655) in issue during the Period after adjusting the effects of bonus issue in December 2011. The basic earnings per share for 2010 was adjusted for the effects of bonus issues in January 2011 and December 2011 accordingly.

The calculation of diluted earnings per share attributable to owners of the Company was based on the Group's profit for the Period attributable to owners of the Company of approximately HK$46,538,000 (2010: approximately HK$108,497,000) and the weighted average number of shares of 3,637,500,399 (2010 restated: 3,283,046,572), being the weighted average number of shares of 3,636,917,261 (2010 restated: 3,230,117,655) in issue during the Period used in the basic earnings per share calculation plus the weighted average number of shares of 583,138 (2010 restated: 52,928,917) assumed having been issued at no consideration on the deemed exercise of the share options outstanding during the Period after adjusting the effects of bonus issue in December 2011. The diluted earnings per share for 2010 was adjusted for the effects of bonus issues in January 2011 and December 2011 accordingly.

## 10. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 150 days. Full provision is made for outstanding debts aged over 365 days or collectability is in significant doubt.

The aging analysis of trade receivables, based on the date of recognition of the sales, is as follows:

| | **31 December 2011 (Unaudited)** ***HK$'000*** | 30 June 2011 (Audited) *HK$'000* |
|---|---|---|
| 1 – 30 days | **128,711** | 113,776 |
| 31 – 60 days | **134,915** | 91,530 |
| 61 – 90 days | **98,506** | 82,544 |
| Over 90 days | **93,842** | 103,072 |
| | **455,974** | 390,922 |

## 11. TRADE PAYABLES

The aging analysis of trade payables as at the end of the reporting period, based on the receipt of goods purchased, is as follows:

| | **31 December 2011 (Unaudited)** ***HK$'000*** | 30 June 2011 (Audited) *HK$'000* |
|---|---|---|
| 1 – 30 days | **97,150** | 98,634 |
| 31 – 60 days | **154** | – |
| 61 – 90 days | **2** | 2 |
| Over 90 days | **325** | 119 |
| | **97,631** | 98,755 |

## 12. SHARE CAPITAL

| | **31 December 2011** | | 30 June 2011 | |
|---|---|---|---|---|
| | **Number of shares** | **Amount** ***HK'000*** | Number of shares | Amount *HK'000* |
| *Authorised:* | | | | |
| Shares of HK$0.01 each | **10,000,000,000** | **100,000** | 10,000,000,000 | 100,000 |
| *Issued and fully paid:* | | | | |
| Shares of HK$0.01 each | **3,636,917,261** | **36,369** | 3,463,730,725 | 34,637 |

A summary of the movement in the issued share capital of the Company was as follows:

| | Number of shares | Amount |
|---|---|---|
| | | *HK$'000* |
| At 1 July 2011 | 3,463,730,725 | 34,637 |
| Bonus issue of shares | 173,186,536 | 1,732 |
| At 31 December 2011 | 3,636,917,261 | 36,369 |

## 13. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2011 (30 June 2011: Nil).

## 14. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the Period were as follows:

| | **31 December 2011 (Unaudited)** | 30 June 2011 (Audited) |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Contracted but not provided for | | |
| – Construction in progress | **57,553** | 87,359 |
| – Seeding plantation | **6,061** | 5,952 |
| | **63,614** | 93,311 |

## INTERIM DIVIDEND

The Board resolved not to pay any interim dividend for the six months ended 31 December 2011 (2010: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL PERFORMANCE

During the six months ended 31 December 2011, the Group's turnover was approximately HK$1,057.4 million, representing a decrease of approximately 18.1%, compared to HK$1,291.2 million in the same period last year. The decline in turnover was mainly attributable to (i) the tightening up of formalities of regulating edible foodstuff control in the domestic market of the People's Republic of China (the "PRC") which had affected the revenue performance of the Group's FMCG Trading Business and resulted in a decline in trading volume of this business unit; and (ii) the production uncertainties caused by variable and adverse weather conditions across the PRC in the first half of 2011, which had delayed the commencement of the Group's plantation plans and had affected the revenue contribution of the Group's upstream farming business.

Gross profit margin decreased from approximately 22.4% to 20.2% when compared with the same period last year. The severe flooding that occurred in the second half of 2011 in Thailand had caused extensive and prolonged inundation of farmland in Thailand and affected and reduced the amount of available import of agri-products from Thailand into the PRC. Also, this resulted in increased costs in sourcing the otherwise available supplies and due to the unstable market conditions, the Group had difficulties to fully transfer all the increased costs to the customers. The Group had also reduced the selling price of some of its FMCG products to attract more sales orders from customers in view of the adverse impact from tightening up of edible foodstuff formalities. Both factors had caused a drop in our gross profit margin for the Period.

Selling and distribution expenses fell approximately 16.4% from approximately HK$93.0 million to approximately HK$77.7 million. These expenses remained stable at approximately 7.3% of turnover when compared with the same period last year. Selling and distribution expenses included promotion campaigns for the development of sales and marketing channels, outlays on brand building, as well as distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses increased approximately 12.9% to approximately HK$86.2 million, as compared to the same period last year. The increase was mainly attributable to the expansion of the scale of our upstream cultivation bases resulting in a relatively higher portion of fixed administrative costs in staff headcounts, depreciation, travel and utilities. Agri-related expenses represented a larger portion of the Group's overall expenses as compared with other operating units such as traditional FMCG Trading Business.

Other operating expenses represented the impairment loss of the value in the investment of China Zenith Chemical Group Limited (Stock Code: 362) ("China Zenith") made in accordance with HKFRSs due to its declining share price as at 31 December 2011.

Finance costs decreased to approximately HK$1.0 million from approximately HK$2.1 million in the preceding corresponding period. The decrease in finance costs was mainly attributable to a decreased level of utilization of the Group's banking facilities as compared with the same period last year.

The decrease in the Group's net profit can be summarized as mainly attributable to an approximately 18.1% decrease in turnover, approximately 2.2% decrease in the Group's overall gross profit margin, approximately 16.4% decrease in selling and distribution expenses, approximately 12.9% increase in administrative expenses, approximately 18.4% increase in fair value of biological assets and approximately 17.3% increase in other operating expenses, while there was overall decrease of approximately 55.2% in finance costs and income tax expenses.

## BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

During the Period under review, the Group's income was derived from three business units: (i) the FMCG Trading Business which includes the trading of packaged foods, beverages, household consumable products, cosmetic and skincare products, and cold chain products; (ii) the Logistics Services Business, being the provision of cold chain logistics services and agri-products servicing; and (iii) the Agri-Products Business, which includes the cultivation and trading of agri-products. These three businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products to the PRC market. During the Period under review, the Group has consistently shown itself to be a "one-stop service platform" incorporating the roles to cover the up-stream portion of the supply chain, whether being global procurement, product registration, and brand development for the FMCG Trading Business or a grower/cultivator for the Agri-Product Business; mid-stream operations such as providing cold chain logistics solutions or food handling and processing; and down-stream functions such as trading, marketing and sales for each respective supply chain. The Group now operates a broad multi-function platform that allows for greater control at each stage of the food market's supply chain.

The FMCG Trading Business sells finished FMCG's into the domestic Chinese market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and is imported from all four corners of the world including Europe, the Americas, Australasia, and South East Asia. This business unit classifies these products into five different product categories including: packaged foods, beverages, household consumable products, cosmetics and skincare products, and cold chain products with their respective contributions to the Group's turnover of being approximately 20%, 2%, 1%, 7% and 10% of the Group's turnover. The FMCG Trading Business contributed 40% of the Group's revenues for the Period.

This business unit formed the foundation of the Group's business success over the years. Although more internal resources have been committed to the Agri-Products Business and Logistics Services Business in recent years, the distribution channels, established by the trading business, are and will continue to represent a very important component within the Group's businesses as a whole. The Group has shown year after year that it runs a reliable business model which has been set up using a "bottom up" approach. Meaning that the Group's businesses are built on a foundation of down-stream sales channels and our vertical integration, be it for the FMCG Trading Business or now with the Agri-Products Business, working as a catalyst to improve the value proposition. The Group therefore has developed a business model that is very effective at monetizing the consumer products (i.e. commodities) that we sell.

With that said, the past 6 months have again proved to be testing times for the Group. The recent financial performance of the FMCG Trading Business has been disappointing. This was due to a number of factors that had come together over the past 12 months to reverse the fortunes of the business that only 18 months ago boasted CAGR's of over twenty percents, but had reported negative growth numbers for consecutive reporting periods. A number of factors had come together over the past 6 to 12 months that had had a negative combined effect on the performance of the business.

Notwithstanding the fact that the FMCG Trading Business has no longer been the primary focus of the Group's development, the domestic food market has changed dramatically over the past 5 years or so. Increasing competition, rising food prices, and an improvement in the competitiveness of China's locally made consumer products have combined to make the local market environment harder to compete in. These internal and market driven issues, coupled with domestic regulatory issues created by the tightening of food safety formalities (resulting in the increased amount of documentation and reporting related to this, and the resulting knock on effect), have affected not only the internal efficiency of a once well-oiled machine, but it has also affected the buyers' buying habits. If this was not enough, the world has experienced the worst financial crisis ever recorded. The Group's product portfolio relies on at least good consumer confidence to drive sales. With consumer confidence severely hit by poor global economic condition, our targeted consumers have been switching out of our higher end products to competing local brands.

The Group's Logistics Services Business contributes a steady approximately 10% of overall revenues for the Period. This side of the business is largely driven by the fortunes of the other two business units. Although the Group's logistics infrastructure has traditionally played a supporting role, built out of necessity for utilization, rather than as business extension, more attention has been spent over the past 6 to 12 months on growing third party services evidenced by approximately 150% annualized growth in 3rd party logistics services and rental income as compared with that of the previous year though the number was so small that they were insignificant in the grand scheme of things, save that this gave a good indication that the Group's rapid expansion plans (although still in full swing) have shown some maturity now, where by the assets are now being exploited for secondary and tertiary income types not only for their primary income.

The Group's long-term strategy, involving the shift of the Group's focus from a pure food trading business to an integrated food producer, distributor, and trading business is now in progress. The Agri-Products Business revenue contribution reached 50% of the Group's overall turnover. This is the clearest indicator that the Group's strategy is really getting some traction. Over the years, the Group has evolved from a pure trader of agri-products to a self-cultivated producers. Agriculture takes time to develop and even more time to reach optimum production efficiencies and performance. That is because there are so many biological influences. But it is clear that progress is being made.

The domestic sales of agri-products have grown approximately 118% since the last interim results for the 6 months ended on 31 December 2010. Our imported products trading business has experienced a downturn in recent months due to changing and adverse weather conditions in the respective markets of origination. Many of our imported fruits are from New Zealand and Australia. Over the years, both markets have gone through a boom phase resulting in higher exchange rates and production costs. Products from these two countries have lost their competitive edge against products from South America or South East Asia and the increases in cost of goods and the importers of goods from other regions' ability to beat us with price competition have affected this significant area of the business. The severe flooding that occurred in second half of 2011 in Thailand had also affected and reduced the amount of available import of agri-products. This resulted in increased costs in sourcing the decreased supplies of agri-products from Thailand.

The recent financial period saw the first stream of income from the Group's own cultivation bases. The Group is confident that, baring any "acts of God" that might have severe negative affects on the farming business, the cultivation income will now continue to grow steadily. The Group has worked very hard over the months to get its farms up to the required standards for operation. Progress has been made to bring the constant growth of the value of our asset base. The Group has maintained stable and ever strong cash flow numbers. The Group's fundamentals have always been stable as a result of careful planning and management by the Group's management team.

During the Period under review, the Group had reinforced its development in upstream farming business. The Group has carefully developed plans in cultivation of Chinese medicinal plants in its Jiangxi base. The initial product range would include some high value or huge consumed Chinese herbs, such as Honeysuckle, Sage, Balloon Flower and Catmint, which would provide a wider range of self-grown products with a distinctive market niche. Over the years, the Group has increased its farmland reserve in different geographical areas that would enable the Group to establish itself as a scale player in the upstream farming business to benefit from government policies and also spread out its cultivation activities to minimize possible disruption risks in production associated with natural calamities and adverse weather conditions. The Group's cultivation bases would place strong emphasis in high quality green food by adopting an ecological and green cultivation methodology with high yield and quality as its core mission. The development would be in line with the existing PRC's government policies to encourage scale farming by large corporations to address the food safety issues and enhance efficient farming in the agri-industry.

The following table shows Heng Tai's segmented and product information matrix for the Period:

| **Category:** | **FY2011/12 Revenue Contribution %** | FY2010/11 Revenue Contribution % | **Product Type:** |
|---|---|---|---|
| Packaged Foods | **20%** | 22% | Biscuits, candies, chocolate, condiments, margarine, milk powder products, health foods, noodles, snacks, rice, nourishing supplements, and exclusively licensed branded products |
| Beverages | **2%** | 2% | Beers, wines, soft drinks, teas and fruit juices |
| Household Consumables | **1%** | 2% | Toiletries including tissue paper, toilet paper, personal hygiene products, shampoo, conditioner, shower gels, and soaps |
| Cosmetics & Skincare Products | **7%** | 8% | Make-ups, perfumes, fragrances, skincare, and sun care products |
| Cold Chain Products | **10%** | 12% | Frozen meat, seafood and dairy products |
| **FMCG Trading Business Unit** | **40%** | 46% | **Packaged Foods, Beverage, Household Consumables, Cosmetics, and Cold Chain Products** |

The FMCG products, listed above, are mostly sourced through the Group's extensive overseas procurement networks, operating in major global markets including South East Asia, USA, Europe, Australia, and New Zealand. These products, in turn, are traded back into the domestic PRC market through wholesalers, retailers, and on-premise customers.

| **Category:** | **FY2011/12 Revenue Contribution %** | FY2010/11 Revenue Contribution % | **Product Type:** |
|---|---|---|---|
| Cold Chain and Agri-Products Servicing | **10%** | 8% | Food processing, logistics solutions and cold chain logistics services |
| **Logistics Services Business** | **10%** | 8% | **Zhongshan Facilities: Cold Chain & Food Processing. Shanghai & Beijing Facilities: Cold Chain Logistics & FMCG Solutions** |
| Imported Fruits & Vegetables | **42%** | 43% | Apples, table grapes, tropical fruits including durian, longan, mangosteen and etc. |
| Domestic Fruits & Vegetables | **8%** | 3% | Potatoes, carrots, onions, ginger, garlic, bok choy, mushrooms, choi sum, cabbage, broccoli, oranges, mandarins, tangerines and etc. |
| **Agri-Products Business Unit** | **50%** | 46% | **Agri-Trading and Farming** |

The Group had also completed part of its second phase extension plans in agri-product development. Zhongshan logistics hub had redeveloped part of its existing facilities to establish post-harvest and fresh cut processing lines for agri-products. The processed agri-products were mainly sold to wholesale and retail markets and chain restaurants in Hong Kong and the PRC. In the coming year, the Group would further expand its scale in post-harvest and fresh cut processing operations to cope with the forthcoming large scale processing operations in the second phase core development of Zhongshan logistics hub, which would encompass the establishment of a government licensed central warehouse equipped with a hygiene and quarantine centre of internationally recognised standards and with various processing, repackaging and storage facilities for agri-products for domestic and export sales.

Subsequent to the interim reporting date on 26 January 2012, the Company had entered into an memorandum of understanding ("MOU") with the Government of Lianghua Town of the PRC. Pursuant to the MOU, it is currently the parties' intention that a new logistics centre shall be constructed in Lianghua Town and managed by the Group thereafter, which is subject to the parties having entered into the necessary definitive agreements on or before 30 June 2012 or such other dates to be agreed by the parties, setting out the final terms and conditions. It is currently expected that the new logistics centre will include an agri-products wholesale market, a cold storage warehouse, a dry goods warehouse, a processing factory, a guesthouse, offices and a carpark. The Board considers that the opportunity to participate in the construction, operation and management of the new logistics centre will give the Group a competitive advantage to enable the Group to build up its brand, bring up the trading volume of its agri-products and further strengthen its business and market share in the southern PRC. As at the date of this report, no definitive terms or formal agreement have been agreed upon or entered into. The Group will make further announcement if there are any definitive terms agreed upon or finalised.

In the coming year, the Group would reinforce its diversification process in its entire supply chain through a well-executed balance between each of these dependent business segments in upstream, midstream and downstream in farming, logistics and trading businesses.

## CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position throughout the Period under review. During the Period, the Group financed its operations and business development with internally generated resources and banking facilities.

At 31 December 2011, the Group had interest-bearing borrowings of approximately HK$137.2 million (30 June 2011: approximately HK$126.6 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and all would mature within one year or beyond a year but with a repayment on demand clause. All of the Group's banking borrowings were floating-interest bearing and secured by corporate guarantees given by the Company and certain subsidiaries of the Company.

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars and US dollars. The Directors consider that the operations of the Group are not exposed to any significant foreign currency exchange risk in view of the stability of the exchange rates between these currencies. The Group did not have any significant hedging instrument outstanding as at 31 December 2011.

At 31 December 2011, the Group's current assets amounted to approximately HK$1,588.7 million (30 June 2011: approximately HK$1,520.5 million) and the Group's current liabilities amounted to approximately HK$286.9 million (30 June 2011: approximately HK$263.6 million). The Group's current ratio remained stable at approximately 5.5 as at 31 December 2011 (30 June 2011: approximately 5.8). At 31 December 2011, the Group had total assets of approximately HK$3,560.7 million (30 June 2011: approximately HK$3,483.9 million) and total liabilities of approximately HK$290.3 million (30 June 2011: approximately HK$267.2 million) with a gearing ratio of approximately 3.9% (30 June 2011: approximately 3.6%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. At 31 December 2011, the Group maintained a fairly stable gearing ratio as compared with the last reporting date on 30 June 2011.

On 19 December 2011, the Company made a bonus issue of 173,186,536 new shares at par value HK$0.01 each by way of a special dividend on the basis of one bonus share for every twenty existing shares to the shareholders whose names appeared on the register of members of the Company on 14 December 2011.

Subsequent to the interim reporting date on 30 January 2012, the Company proposed to make an open offer of not less than 1,818,458,629 and not more than 1,871,414,880 offer shares of the Company on the basis of one offer share for every two existing shares of the Company at the subscription price of HK$0.20 subject to the terms and conditions set out in the underwriting agreement dated 30 January 2012 entered into between the Company and VC Brokerage Limited. The net proceeds of the open offer are expected to amount to approximately not more than HK$365 million and not less than HK$355 million, which is intended to be used in the development of a new logistics centre in Lianghua Town as per the MOU entered into on 26 January 2012. Further details of the open offer have been set out in the Company's announcement on 30 January 2012.

## OTHER INFORMATION

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2011, the interests and short positions of every Director and chief executive of the Company in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:–

### Aggregate long positions in shares

| Name of director | *Notes* | Capacity of interests | Number of shares in interest | Approximate percentage of interest in shares |
|---|---|---|---|---|
| Mr. Lam Kwok Hing ("Mr. Lam") | *1* | Interest in controlled corporation and family interest | 568,301,264 | 15.63% |
| Ms. Lee Choi Lin, Joecy ("Ms. Lee") | *1* | Interest in controlled corporation and family interest | 568,301,264 | 15.63% |
| Mr. Chu Ki ("Mr. Chu") | *2* | Interest in controlled corporation | 24,310,125 | 0.67% |
| Ms. Chan Yuk, Foebe | *3* | Beneficial Owner | 15,750,000 | 0.43% |
| Mr. John Handley | *3* | Beneficial Owner | 5,250,000 | 0.14% |
| Ms. Mak Yun Chu | *3* | Beneficial Owner | 5,250,000 | 0.14% |
| Mr. Poon Yiu Cheung, Newman | *3* | Beneficial Owner | 5,250,000 | 0.14% |

*Notes:*

1. 419,523,299 of these shares are held by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI") and wholly and beneficially owned by Mr. Lam, the spouse of Ms. Lee. Mr. Lam is deemed to be interested in, in duplicate, the 419,523,299 shares held by Best Global under Section 316(2) of the SFO. Ms. Lee is also deemed to be interested in, and duplicated the interest of, these shares of which Mr. Lam is deemed to be interested in under Section 316(1) of the SFO.

   The remaining 148,777,965 of these shares are held by World Invest Holdings Limited ("World Invest"), a company incorporated in the BVI and wholly and beneficially owned by Ms. Lee, the spouse of Mr. Lam. Ms. Lee is deemed to be interested in, in duplicate, the 148,777,965 shares held by World Invest under Section 316(2) of the SFO. Mr. Lam is also deemed to be interested in, and duplicated the interest of, these shares of which Ms. Lee is deemed to be interested in under Section 316(1) of the SFO.

2. These shares are held by Asia Startup Group Limited ("Asia Startup"), a company incorporated in the BVI and wholly and beneficially owned by Mr. Chu. Mr. Chu is deemed to be interested in, in duplicate, the 24,310,125 shares held by Asia Startup under Section 316(2) of the SFO.

3. These shares in interest are share options granted by the Company to respective Directors on 15 June 2011 and the respective number of which has been adjusted to reflect the bonus issue in December 2011.

Save as disclosed above, as at 31 December 2011, none of the Directors or chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' Interests In Securities" above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, or the chief executives or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2011, the interests of every person, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and to the best knowledge of the Directors were as follows:–

**Aggregate long positions in shares**

| Name of substantial shareholder | *Note* | Capacity of interests | Number of shares in interest | Approximate percentage of interest in shares |
|---|---|---|---|---|
| Best Global | *1* | Corporate interests | 419,523,299 | 11.54% |

*Note:*

1. The interest of these shares held by Best Global is in duplicate the interest held by Mr. Lam.

Save as disclosed herein and under the heading "Directors' Interests In Securities" above, as at 31 December 2011, no other person had any interests and short positions in shares and underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

The following share options were outstanding under the share option schemes of the Company during the Period:–

| Name or category of participants | Number of share options: At 1 July 2011 | Granted during the period | Exercised during the period | Cancelled during the period | At 31 December 2011 | Date of grant of share options | Exercise period of share options | Exercise prices of share options HK$ |
|---|---|---|---|---|---|---|---|---|
| Non-executive director | | | | | | | | |
| Ms. Chan Yuk, Foebe | 15,750,000* | – | – | – | 15,750,000 | 15 June 2011 | 15 June 2011 to 14 June 2016 | 0.756* |
| Independent non-executive directors | | | | | | | | |
| Mr. John Handley | 5,250,000* | – | – | – | 5,250,000 | 15 June 2011 | 15 June 2011 to 14 June 2016 | 0.756* |
| Ms. Mak Yun Chu | 5,250,000* | – | – | – | 5,250,000 | 15 June 2011 | 15 June 2011 to 14 June 2016 | 0.756* |
| Mr. Poon Yiu Cheung, Newman | 5,250,000* | – | – | – | 5,250,000 | 15 June 2011 | 15 June 2011 to 14 June 2016 | 0.756* |
| Employees (in aggregate) | 10,500,000* | – | – | – | 10,500,000# | 15 June 2011 | 1 January 2012 to 31 December 2016 | 0.756* |
| | 10,500,000* | – | – | – | 10,500,000## | 15 June 2011 | 1 January 2013 to 31 December 2017 | 0.756* |
| Other eligible participants (in aggregate) | 912,503* | – | – | – | 912,503 | 30 April 2002 | 1 May 2002 to 30 April 2012 | 0.183* |
| Suppliers of goods or services (in aggregate) | 94,500,000* | – | – | – | 94,500,000 | 15 June 2011 | 15 June 2011 to 14 June 2016 | 0.756* |
| | 147,912,503 | – | – | – | 147,912,503 | | | |

* *The number of share options and exercise prices have been adjusted to reflect the bonus issue in December 2011.*

\# *These shares options have a vesting period from 15 June 2011 to 31 December 2011.*

\## *These shares options have a vesting period from 15 June 2011 to 31 December 2012.*

At 31 December 2011, the Company had 147,912,503 (31 December 2010: 19,302,418) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 147,912,503 (31 December 2010: 19,302,418) additional ordinary shares and additional share capital of approximately HK$1,479,000 (31 December 2010: HK$193,024) and share premium of approximately HK$109,820,000 (31 December 2010: HK$8,232,000) (before share issue expenses). There was no option granted, cancelled or lapsed during the Period.

## PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the Period.

## CORPORATE GOVERNANCE

The Board believes that good corporate governance is crucial to improve the efficiency and performance of the Group and to safeguard the interests of the shareholders. Throughout the Period, the Company complied with all the applicable code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

## COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors any non-compliance with the Model Code by each of them during the Period and they all confirmed that they had fully complied with the required standard set out in the Model Code.

## REVIEW OF INTERIM RESULTS ANNOUNCEMENT

This interim results announcement has been reviewed by the Audit Committee, but not audited by the Company's external auditors.

On behalf of the Board
**Lam Kwok Hing**
*Chairman*

Hong Kong, 28 February 2012

*As at the date of this announcement, the Board comprises five executive Directors, namely Mr. Lam Kwok Hing (Chairman), Mr. Chu Ki, Ms. Lee Choi Lin, Joecy, Ms. Hung Sau Yung, Rebecca and Ms. Gao Qin Jian; one non-executive Director, namely Ms. Chan Yuk, Foebe; and three independent non-executive Directors, namely Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung, Newman.*