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: 00197)

Annual Report
2015

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca
Ms. Gao Qin Jian

Non-Executive Director:
Ms. Chan Yuk Foebe

Independent Non-Executive Directors:
Mr. John Handley
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman

COMPANY SECRETARY
Mr. Wong Siu Hong

INDEPENDENT AUDITOR
RSM Nelson Wheeler
Certified Public Accountants

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PRINCIPAL BANKERS
China Citic Bank International Limited
Hang Seng Bank Limited
LUSO International Banking Ltd.
Standard Chartered Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Union Registrars Limited
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COMPANY WEBSITE
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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Heng Tai Consumables Group Limited (the "Company" or "Heng Tai"), it is my great privilege to present to our shareholders the Annual Report for the Company and its subsidiaries (together the "Group") for the financial year ended 30 June 2015 ("FY2015").

FINANCIAL PERFORMANCE

The financial results of FY2015 were a mixture of two forces. On the external front, the operating environment was even worse than last year and became more challenging. The slowdown in China's economy and the fierce competition continued to put great pressure on the Group's operations. China's GDP growth has been shrinking to 7%, other economic data such as retail sales growth, import and export growth and industrial production also disappointed the market and indicated weak consumption. Worse still, anti-extravagance campaign implemented by the China's government and the competition from local brands further worsened the operating environment. On the internal front, however, the Group's restructuring plan of shifting focus back to the traditional trading business and withdrawing from unprofitable operations has been getting tractions. The FMCG Trading Business and the agri-product trading business have already bottomed out as evidenced by their improving revenues and gross profit margins. Furthermore, the Group successfully saved a considerable amount of selling and administrative expenses alongside a noticeable cut in capital expenditures thanks to the gradual cessation of certain unprofitable operations like leafy vegetable cultivation. As a result, the Group recorded a net loss which was significantly less than the loss for the last financial year.

Revenues fell approximately 4.1% to approximately HK$1.64 billion in FY2015. The net loss for FY2015 was approximately HK$73.3 million, compared to the net loss of approximately HK$682.4 million for the preceding financial year ("FY2014"). The decrease in the net loss was mainly attributable to the decrease in selling and administrative expenses as well as the decrease in other operating expenses, primarily due to the significant decrease in impairment losses.

BUSINESS REVIEW

During the financial year under review, the Group continuously strengthened the FMCG Trading Business by expanding sales channels and procurement network. Therefore, the revenue and gross profit margin of this business unit increased steadily. Packaged foods remained the most important category in terms of revenue contribution. The Group proactively explored the feasibility of sourcing products from some countries like Australia and Japan, where the favourable currency movement made their products become more competitive. On the other hand, the Group's development in e-commerce was satisfactory, the business volume in relation to e-commerce continued to grow at a relatively fast pace. More importantly, the Group's collaboration with e-commerce operators has been deepening into the scope of logistics and supply chain solutions. A more solid, all-round and strategic partnership with e-commerce operators will benefit the Group's e-commerce development in future. In addition, the Group has been negotiating with several business partners with respect to setting up online trading platform in the hope of adding another important sales channel. On the other hand, although the macro operating environment was still sluggish, the business volume and the pricing strategy towards traditional wholesalers and on-premise customers were stable because of the product quality and the entrenched relationships with them.

The Group's Agri-Products Business contains trading fresh produce such as fruits and vegetables imported from countries like Australasia and South East Asia as well as upstream cultivations in China. Similar to the FMCG Trading Business, the agri-products trading business has shown signs of recovery reflected by an improving revenue and gross profit margin. Although the weak macroeconomic condition and anti-extravagance atmosphere persistently affected the market demand for imported fruits, the Group's efforts to source wider range of imported agri-products and provide value-added services largely mitigated the headwinds caused by the abovementioned adverse factors. However, the encouraging results of the agri-products trading business could not outweigh the impact from the upstream farming business and thus Agri-Products Business still recorded a decline in revenue and a loss. Following the discontinuation of leafy vegetable cultivation, the plantation of fruits in the Jiangxi's farming base is the remaining farming operations, which is a capital intensive business and requires low recurring operating expenses. With the steady sales growth of self-grown citrus and fruits, the results of the cultivation in the Jiangxi's farming base have been improving. However, some headwinds such as inclement weather, rising labour costs and intense competition still created great uncertainties in the farming business. The occurrence of some restructuring costs and the handling of perishable products for those discontinued operations further dampened the financial results of the upstream farming business.

CHAIRMAN'S STATEMENT

Revenue from logistics business represented approximately 3% of the Group's total revenue, which was fairly stable compared to last year and broadly in line with the trading business. As an important support unit to the Group's trading business, the Logistics Services Business is highly correlated to the other two business units. During the financial year under review, the Group has been constantly expanding and upgrading the logistics facilities. The Huidong Logistics Center was under modification and refurbishment works to fit the standards required by various bureaus and the operational needs, and the food processing functions which are currently handled by the Zhongshan Logistics Center will be transferred to this new logistics center. Moreover, the Group also enlarged the operational capacities of exiting logistics network by upgrading logistics equipment and leasing additional storage facilities, in particular in Northeast China region.

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2015. In view of the unpredictable global and China economic conditions and future capital requirement, the Board decided to maintain adequate cash reserves to prepare for the ongoing commitments to reinforce existing businesses and any unforeseen expenditure that might come up.

LOOKING AHEAD

In the coming year, the Group will continue to focus on the FMCG Trading Business and the agri-products trading business. As mentioned above, the Group will expand procurement network and extend reach to other new suppliers and regions in order to enrich product portfolio. On the other hand, the continuous improvement in distribution and sales channels is of utmost importance to the Group's future developments. It is believed that sales via online platform will be increasing over coming years, hence more resources will be committed to the development in e-commerce. The Group will deepen the relationship with e-commerce operators by establishing a strategic partnership for all-round cooperation. Additionally, the Group is proactively seeking an opportunity to create an own online trading platform to reach end customers directly, but such development plan will be executed warily to ensure its financial viability.

The Group underwent a significant change over past few years to restructure the upstream farming business and shift back focus to traditionally profitable trading business. The Group strived to trim unprofitable farming operations and reduce its operating costs and capital expenditures. Going forward, the Group will continue to carefully develop the upstream farming business in the Jiangxi's farming base by increasing sales channels such as online platform and other new markets, and controlling costs on a continuous basis.

The Group sees the restructuring plan is gaining tractions, although the global economy is full of uncertainty simultaneously. The Group will remain strong and healthy financial position and adopt conservative approach towards capital investment. Save for any unforeseen events, the Group is confident that the financial performance will be improving over coming years.

CORPORATE SUSTAINABILITY

The Group believes that the business model providing one-stop services from trading, distributing to marketing and selling in the fast moving consumable goods and agri-products in China, supplemented by the upstream cultivations, can provide a high degree of sustainability in its operations. With the support of our strong and healthy financial position, the Group will make continuous efforts to reinforce the existing business model and the sustainability of the operations so as to achieve long-term business growth and objectives.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to extend my sincere appreciation to our shareholders and my fellow colleagues for their faith, commitment, and dedication during the past year. I would also like to thank our shareholders and business partners for their support and trust. We will do all our best and we wish you all the best for the coming year.

LAM Kwok Hing
Chairman

Hong Kong, 29 September 2015

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During the financial year under review, the Group are principally engaged in (i) the trading of packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products (the "FMCG Trading Business"); (ii) the trading of agri-products and the upstream farming business (the "Agri-Products Business"); and (iii) the provision of cold chain logistics services and value-added post-harvest food processing (the "Logistics Services Business"). These three businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

China's economic growth continued to slow down during the year. China's GDP growth further weakened from 7.5% to 7.0%; the retail sales growth dropped to 10% in April 2015, the lowest level over the past five years; the Manufacturing Purchasing Managers Index (PMI) has contracted for six straight months; both import and export growth decreased more than 8.0% in July compared to last year. Meanwhile, the Chinese government launched a number of loosening policies by way of cutting interest rates and required reserve ratios in a bid to boost the economy. All of these indicated that the overall operating environment has been deteriorating rapidly and China has been facing large downward economic pressure. Worse still, following the anti-extravagance campaign launched in China, the demand on high-end products were substantially reduced, which particularly affected the Group's trading business for imported fruits. On the other hand, as a result of the difficult operating environment, many local brands decreased their selling price to grasp market share, leading to fiercer competition compared to last year.

In the context of such challenging business environment, the Group continued to implement the strategic restructuring plan, including trimming unprofitable operations, reducing various expenses and redirecting resources to the FMCG Trading business. During the financial year under review, the Group successfully reduced a considerable amount of operating expenses such as labour, rental and other farming materials costs following the gradual cessation of the Group's leafy agricultural product plantations upon the expiration of the farming leases in Huidong. Although the Group still operated the plantations of fruits in the Jiangxi's farming base, a much more conservative approach was adopted for the scale and pace of the development. On the other hand, although the overall market condition has been deteriorating due to the economic slowdown, the Group managed to improve its revenue in the FMCG Trading Business and the agri-products trading business thanks to the restructuring plan whereby more resources had been allocated to support adding new sales channels. Going forward, the Group will continue to scrutinize various business operations based on market demands and internal resources to determine the optimal operational size of each business unit.

The FMCG Trading Business will be the primary focus of the Group's development and more internal resources will be committed to this business unit and its relevant logistics facilities. For the Agri-Products Business, the Group will focus on the traditional agri-products trading business that the Group owns a well-established customer base and distribution network. As aforesaid, the Group would cease certain cultivations and carefully develop plans in cultivation of citrus and other fruits in Jiangxi farming base. As a result of more resources committed to the FMCG Trading Business, the contribution of this business increased to approximately 49% of total revenue (FY2014: 46%), overtaking the Agri-Products Business as the largest contributor, and is expected to play a more important role for the Group's future development. The revenue of the Agri-Products Business decreased by 9.4% and accounted for approximately 48% of the Group's revenue (FY2014: 51%), the decrease in revenue of the Agri-Products Business was mainly attributable to the cut down of unprofitable cultivations, primarily leafy agricultural products. The Logistics Services Business was fairly stable and contributed approximately 3% of total revenue (FY2014: 3%). In the light of the prosperous development of e-commerce industry in China and the increasingly importance of its relevant logistics assets, the Group will continue to invest in and enhance logistics facilities to capitalize on the rapid growth of market demand.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$1,641.4 million as compared to HK$1,712.1 million for FY2014, representing a fall of approximately 4.1%. The decline in revenue was mainly attributable to the decline in revenue of the Agri-Products Business by approximately 9.4% as a result of the closure of certain unprofitable operations, in particular the cultivation of leafy vegetables. If the contribution of the upstream farming business is disregarded, the Group would record an increase in revenue which was mainly attributable to the continuous improvement in the revenue contributions from the FMCG Trading Business and the agri-products trading business. Although the macro environment was still sluggish and even worse than last year, the Group's efforts to strengthen the FMCG Trading Business and the agri-products trading business continued to get traction during the year. The revenue of the FMCG Trading Business increased by approximately 1.8% whereas that of the agri-products trading business increased by approximately 1.1% compared to the last financial year. The Logistics Services Business is highly correlated to the other two business units, owing to the gradual improvement in the FMCG Trading Business and the agri-products trading business, the contribution from the Logistics Services Business was fairly stable and accounted for approximately 3% of overall revenues for the year. However, the economic slowdown inevitably affected third party logistics business and thus slightly lowering the overall revenue of the Logistics Services Business.

Gross profit margin increased from approximately 8.2% to 8.3% compared to FY2014. The increase in gross profit margin was mainly attributable to the improving gross profit margins of the FMCG Trading Business and the agri-products trading business. As the core theme of the restructuring plan was to shift focus to the traditional trading businesses, the Group endeavoured to source niche products for target customers and snatch a more favourable product-mix. Although the market competition was fierce and the effect of the anti-extravagance still existed, the Group attempted to maintain stable pricing strategies with reasonable profit margins. While the Group proactively expanded clientele portfolio, the Group did not engage in price competition but by means of product quality and niche to attract new customers. In addition, favourable foreign exchange movement also improved gross profit margin to some extent. However, the operating environment for the upstream farming business was still difficult, its gross profit margin encountered large downward pressure and thus dragging the overall gross profit margin.

Selling and distribution expenses decreased by approximately 22.8% from approximately HK$123.4 million to approximately HK$95.3 million, representing approximately 5.8% of total revenue (FY2014: 7.2%). The decrease was mainly attributable to the Group's cost saving initiatives. During the year, the Group successfully reduced various expenses such as marketing and promotion costs, staff costs and transportation costs. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, as well as handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 36.4% from approximately HK$188.4 million to approximately HK$119.8 million. The decrease was mainly attributable to the implementation of cost saving initiatives and the cut down of certain unprofitable operations. The substantial decrease in administrative expenses was another proof that the Group's restructuring plan and cost-saving initiatives were on track and effective. As a result of termination of certain unprofitable operations such as cultivation of leafy products, a considerable amount of agri-related overheads such as rentals, day-to-day running and staff costs and depreciation expenses were saved. The upstream farming business has a relatively high portion of fixed administrative costs than those of other business units, hence the cut down of certain farming operations came to a particularly remarkable reduction in the overall administrative expenses.

Other gains and income increased from approximately HK$9.4 million to approximately HK$50.1 million. The gains and income of approximately HK$41.9 million mainly derived from the gain on disposal of certain shares of the Group's investment in China Zenith Chemical Group Limited ("China Zenith"), a company listed on the Stock Exchange.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses decreased from approximately HK$495.3 million to approximately HK$18.8 million. The decrease in other operating expenses was mainly attributable to the significant decrease of impairment losses on various assets primarily relating to the upstream farming business in last year whereas the other operating expenses was mainly attributable to restructuring costs for upstream farming business of approximately HK$14.3 million and fair value loss on buildings of approximately HK$3.5 million during the financial year under review. Further, there was a decrease of approximately HK$24.1 million in the fair value of biological assets as a result of the increase in their plantation costs.

Finance costs maintained at a similar level of approximately HK$0.6 million (FY2014: HK$0.5 million).

Net loss for the year ended 30 June 2015 was approximately HK$73.3 million (FY2014: HK$682.4 million). The decrease in the net loss was mainly attributable to a combination of approximately 22.8% decrease in selling and distribution expenses, approximately 36.4% decrease in administrative expenses, approximately HK$40.7 million increase in other gains and income, approximately HK$476.5 million decrease in other operating expenses and was offset by approximately 4.1% decrease in turnover.

At 30 June 2015, the Group held approximately 9.5% interest in China Zenith as a medium to long term investment subject to the market conditions, with which a net increase on fair value change on this investment of approximately HK$139.0 million was recognized in the Group's reserves directly in accordance with the Hong Kong Financial Reporting Standards.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells finished FMCG, cold chain and cosmetics products into the domestic Chinese market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported primarily from Australasia, Europe, the Americas and South East Asia. The FMCG Trading Business contributed approximately HK$805.7 million in revenues to the Group for FY2015, up 1.8% from that contributed in FY2014. The increase in revenues was largely attributable to the Group's effort to expand sales channels, especially through online platforms, to extend our reach to new customers. In addition to the top line revenue, the gross profit margin also showed a stable improvement during the year. This was very much thanks to the Group's continuous efforts to source niche products to strengthen our competitiveness, such that the Group was able to adopt stable pricing strategies with reasonable profit margins. On the other hand, in order to cope with the rapidly changing environment, the Group adopted various strategic moves to accommodate market needs. For instance, in view of China's economic slowdown and weak market demand, the Group sourced more mid-level products from developing regions such as Southeast Asia and South America which were more competitive under current economic situation and could complement the Group's high end imported product portfolio. Furthermore, in order to take advantage of the devaluation of some currencies, the Group proactively established relationships with suppliers from some countries such as Japan and Australia to identify products with market niche, and simultaneously strengthened the well-established procurement network in other regions like Europe.

During the year, the Group's development in e-commerce was satisfactory. Its business volume in China has shown an admirable growing trend with stable profit margins, which was mainly attributable to the rapid growth of online retailing and the more fruitful cooperation with e-commerce operators. Apart from normal business-to-business relationship with e-commerce operators, the Group also established strategic collaboration in their logistics and storage operations. On the other hand, the Group commenced to negotiate with some business partners for the development of business-to-consumer online trading platform. The Group is confident the astonishing uptrend in China's e-commerce industry will continue and remain intact over coming years, and hence the progress of the Group's development in e-commerce business will be accelerated simultaneously. Notwithstanding the above, the Group will thoroughly review the financial and operational viability of every e-commerce project and will make any investment decision vigilantly. On the other hand, the Group will continually reinforce the traditional offline channels via wholesalers and direct sales to on-premise customers in order to set up a widespread sales network.

MANAGEMENT DISCUSSION AND ANALYSIS

This business unit can be classified into five categories including packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products with their respective contribution of approximately 72%, 6%, 6%, 12% and 4%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category, followed by cold chain products. In view of the increasingly competitive market for cosmetics products, the Group has been gradually trimming this business such that its contribution further declined from approximately 7% in last year to approximately 4%. In contrast, the Group focused on packaged foods and beverage products and the increase in their contributions could counterweight the impact of the decline in the revenue of cosmetics products.

Agri-Products Business

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. This business unit generated HK$786.1 million for the FY2015, down approximately 9.4% as compared to the HK$867.8 million generated in FY2014. The decrease in revenue was attributable to the substantial decrease in the contribution from the upstream farming business by approximately 70.0% caused by the cut down of certain unprofitable farming operations, primarily leafy vegetable cultivation in Huidong, but was partly offset by the increase in revenue of the agri-products trading business by approximately 1.1%.

Agri-Products Trading

The slowdown of China's economy and the government's anti-extravagance policies continuously affected the performance of the agri-products trading business. However, following the significant cut down of the upstream farming business, the Group could use more resources to boost the traditional trading business and adopted various policies to enhance the performance of this business unit. For instance, the Group expanded procurement team to source a wider range of imported agri-products and provided relevant cutting-edge food process services for target customers. In addition, the Group commenced to study the cooperation with e-commence operators for selling fresh produce. Online fresh produce retailing is a relatively new market in China, the average growth was higher than that of other products over the past few years, despite the fact that the transportation and storage costs are expensive. The Group will proactively cooperate with business partners to tap into the market. During the year, the Group also enhanced operational efficiency by streamlining supply chain and administration process to provide more timely delivery services. The uplift of product and service quality attracted new customers and the favourable currency movement for certain imported fruits also improved the competitiveness of our products against local grown produce. As a result, the revenue of the agri-products trading business recorded a steady growth together with an improvement in gross profit margin during the year.

Upstream Farming Business

During the financial year under review, the Group has been scaling down or ceasing unprofitable farming operations. The remaining farming operation is the plantations of fruits in the Jiangxi's farming base, which is a capital-intensive operation and requires much lower recurring expenses compared to leafy agricultural product cultivation. Nevertheless, although substantial operating expenses were reduced due to the discontinuation of leafy agricultural product cultivation and other unprofitable farming businesses, some adverse factors remained unchanged for the Group's citrus and fruit cultivations in Jiangxi. Inclement weather, rising labour costs and competitive selling price persistently affected the revenue and the gross profit margin of this business unit. In addition, the Group also liquidated perishable products coming from those ceased unprofitable operations via clearance pricing during the year, which further impeded the gross profit margin. In view of the difficult operating environment and no signs of near-term recovery, the Group adopted more stringent control over the developments in the Jiangxi's farming base, which were entirely driven by the market demand. Despite the above difficulties, the Group constantly acquired advanced farming technology to improve the quality of self-grown agricultural products. A research center is planned to set up for seed breeding and farming technology advancement in Zhongshan. With the improving product quality, the Group has explored the feasibility of export our self-grown agricultural products to overseas markets. On the other hand, in order to increase revenue stream and better utilize the Group's arable lands in Jiangxi, the Group has commenced to negotiate with the local government for the feasibility of agri-tourism by opening certain areas of the Jiangxi's farming base for public. This plan is at the preliminary stage of negotiation and highly depends on the development plan of the local government.

MANAGEMENT DISCUSSION AND ANALYSIS

Logistics Services Business

The Logistics Services Business provides a full range of services to customers including cold-chain facilities, warehousing, food processing production lines for fresh produces, as well as cross-border trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services represented approximately 3% of the Group's total revenue amounted to approximately HK$49.6 million, which was fairly stable compared to last year. The revenue of midstream logistics handling associated with the Group's FMCG Trading Business and the agri-products trading business was broadly in line with the movement of these two business units. However, the income arising from third party supply chain services including rental and storage income recorded a moderate fall owing to the adverse impact from the weak macroeconomic environment. During the year, the Group continued to modify and upgrade the logistics hubs in Zhongshan ("Zhongshan Logistics Center") and Shanghai to cope with the increasing needs of the FMCG Trading Business. The development in the new logistics center in Huidong ("Huidong Logistics Center") was under modification and refurbishment works to fit the standards required by various bureaus and the operational needs. The Huidong Logistics Center will overtake the Zhongshan Logistics Center in relation to its food processing and logistics services for fresh produces and will also strengthen our agri-products trading business. The Zhongshan Logistics Center will then be modified to become a multi-functional logistics hub to support the Group's FMCG Trading Business and agri-products trading business, as well as provide high margin supply chain services to third parties. Currently, a number of transitional matters relating to the transfer of agri-products supply chain functions from the Zhongshan Logistics Center to the Huidong Logistics Center are being prepared. Furthermore, the Group also enlarged the operational capacities of exiting logistics network by upgrading logistics equipment and leasing additional storage facilities, in particular in Northeast China. In addition to the existing investment plan, the Group has been negotiating with e-commerce operators about the collaboration for logistics and storage operations to create a long-term strategic alliance with them.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

On 16 December 2014, the Company issued 1,091,075,178 ordinary shares, on the basis of one offer share for every five shares held, to the shareholders of the Company at a subscription price of HK$0.07 per share through an open offer. The net proceeds of approximately HK$75.6 million would be used for the expansion of the FMCG Trading Business and the Logistics Services Business by leasing additional long-term logistics and storage facilities and upgrading existing logistics facilities in order to cater for expected additional storage and logistics business demand and enhance their competitive edges.

At 30 June 2015, the Group had interest-bearing borrowings of approximately HK$64.5 million (30 June 2014: HK$65.6 million) of which over 95% of the borrowings were denominated in Hong Kong dollars and all would mature within one year. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company and a charge over the Group's held-to-maturity investments and some bank deposits in carrying amount of approximately HK$46.5 million (30 June 2014: HK$26.3 million).

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. The Directors consider that the exchange rate of Hong Kong dollars against Renminbi was relatively stable during the year under review, even considering the abrupt devaluation of Renminbi by the PRC government subsequent to the end of the reporting period. Therefore the Directors consider that the operations of the Group were not exposed to significant foreign currency exchange risk during the year under review and the Group did not have any significant hedging instrument outstanding as at 30 June 2015. However, the Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary.

At 30 June 2015, the Group's current assets amounted to approximately HK$1,274.3 million (30 June 2014: HK$1,218.3 million) and the Group's current liabilities amounted to approximately HK$207.3 million (30 June 2014: HK$200.2 million). The Group's current ratio maintained to a level of approximately 6.1 at 30 June 2015 (30 June 2014: 6.1). At 30 June 2015, the Group had total assets of approximately HK$3,092.2 million (30 June 2014: HK$2,930.0 million) and total liabilities of approximately HK$214.0 million (30 June 2014: HK$206.5 million) with a gearing ratio of approximately 2.1% (30 June 2014: 2.2%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained fairly stable as at 30 June 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2015, the Group had approximately 590 employees for its operations in China, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute success of the Group's operations.

DEVELOPMENT AND PROSPECTS

The economic conditions remained challenging in China for the year under review. The Chinese government will stay the course on economic reforms, aiming at transitioning from investment-based to consumption-based growth that will inevitably lead to slower growth in short term in return for a more sustainable long term growth. Therefore, the China economy is expected to grow at a relatively slow rate over coming few years and the operating environment will continue to be challenging.

Notwithstanding the above, the Group's restructuring plan is successfully gaining traction, the traditional trading business has already shown signs of recovery due to the Group's efforts to expand sales channels and enrich product portfolio. Going forward, the Group will continue to put emphasis on the trading business as well as its associated logistics services business. The Group will reinforce the procurement team for a wider geographical coverage and product range, such that the product portfolio can be quickly adjusted in response to the rapidly changing market demands. On the other hand, the Group will accelerate the development of own online retailing platform to complement the well-established traditional offline and business-to-business sales channels. On the external front, the Group will proactively expand clientele base by attracting new e-commerce business partners and on-premise customers in order to underpin the sustainability of the recovery of the Group's trading business.

In contrast to the Group's trading business, the upstream farming business is still at the bottom of the business cycle and has not showed signs of recovery. Therefore, the Group will constantly scrutinize this business unit and scale down or even discontinue unprofitable operations. The Group will also implement different austerity measures to reduce costs such as the increase in the use of outsourcing for certain harvesting and logistics operations. While awaiting the recovery of the farming industry in China, the Group will continue to explore other ancillary incomes such as agri-tourism as mentioned earlier and the possibility of export our self-grown agricultural products to overseas markets. With the conservative approach to developing and operating the upstream farming business, the Group is confident the financial performance of this business unit will improve when the farming industry in China can pass through the trough and resume recovery.

Continuous enhancement and expansion of the logistics facilities is one of key moves for the Group's future development. During the year, the Group has constantly upgraded various existing logistics facilities and invested in the Huidong Logistics Center. Going forward, the Group will continue to seek investment opportunities for suitable logistics assets to cater for the development of the FMCG Trading Business, especially through reinforcement of the collaboration between the Group and various e-commerce operators for their logistics and storage operations.

On 16 December 2014, the Company issued 1,091,075,178 ordinary shares, on the basis of one offer share for every five shares held, to the shareholders of the Company at a subscription price of HK$0.07 per share through an open offer. The net proceeds of approximately HK$75.6 million would be used for the expansion of the FMCG Trading Business and the Logistics Services Business by leasing additional long-term logistics and storage facilities and upgrading existing logistics facilities in order to cater for expected additional storage and logistics business demand and enhance their competitive edges.

The Group's mission is to evolve itself from a traditional trading company to an integrated company to provide our customers with one-stop services via both offline and online platforms. China's economy is facing downward pressure that would inevitably affect the operating environment, but the Group's restructuring plan is on the right track to improve its competitiveness in response to the weak economic conditions and the increased competition. Meanwhile, the Group will consistently maintain a healthy and strong financial position and adopt a conservative approach towards capital investments, which will primarily focus on logistics assets and e-commerce development. Save for any unforeseen adverse circumstances, the Group is cautiously optimistic that the financial performance will be improving gradually in near term.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, *Chairman, Managing Director, Executive Director and Chief Executive Officer*
Mr. Lam Kwok Hing, aged 59, is the Chairman, Managing Director, Executive Director and the Chief Executive Officer. He is a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lam has been appointed the Executive Director since April 2001 and is the overall strategic visionary of the Group. He also held certain directorships in the subsidiaries of the Company. Mr. Lam founded the original group company with other founding shareholders in 1994. He manages the strategic planning, corporate policy development, marketing strategy and high level management for the Group's macro business activities. Over the past decade, Mr. Lam was instrumental in shaping the development and evolution of the Group and building the business from a small-scale packaged food trading house to an integrated distribution and logistics enterprise. Since March 2012, the Board has appointed Mr. Lam as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operation. In the context of the challenging business environment, the Board believes that the arrangement would provide the Group with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies which can general benefits for the Group and the shareholders as a whole. Mr. Lam is the spouse of Ms. Lee Choi Lin Joecy, who is also the Executive Director and co-founder of the Company. Mr. Lam is also a director of Best Global Asia Limited, the substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Lee Choi Lin Joecy, *Executive Director*
Ms. Lee Choi Lin Joecy, aged 55, has been appointed the Executive Director since April 2001. She also held certain directorships in the subsidiaries of the Company. Ms. Lee is responsible for the general administration and management of the Group. She has over 15 years of experience in marketing and distribution of fast moving consumer goods. Ms. Lee founded the original group company with other founding shareholders in 1994. Ms. Lee is the spouse of Mr. Lam Kwok Hing, who is the Chairman, Managing Director, Executive Director and the Chief Executive Officer of the Company.

Ms. Hung Sau Yung Rebecca, *Executive Director*
Ms. Hung Sau Yung Rebecca, aged 49, has been appointed the Executive Director since January 2012. Ms. Hung received her Bachelor Degree in Business majoring in accounting from Queensland University of Technology in Australia. Ms. Hung has over 20 years of experience in accounting and administration. Prior to joining the Group in 1998, she worked as an administration and accounting manager in a Hong Kong trading company.

Ms. Gao Qin Jian, *Executive Director*
Ms. Gao Qin Jian, aged 55, has been appointed the Executive Director since January 2012. She also held certain directorships in the subsidiaries of the Company. Ms. Gao received her Bachelor Degree in Business, majoring in business administration from Fudan University in the PRC. Ms. Gao has over 20 years of experience in accounting and finance, as well as extensive managerial experience in the distribution and logistics industries. Prior to joining the Group in 2004, she was the deputy general manager of one of the renowned retail chain stores in the PRC. Ms. Gao is also the General Manager of the Group overseeing the Group's FMCG Trading Business and Logistics Services Business in northern and eastern regions of the PRC.

NON-EXECUTIVE DIRECTOR

Ms. Chan Yuk Foebe, *Non-executive Director*
Ms. Chan Yuk Foebe, aged 46, was appointed the Executive Director in May 2002 and has been re-designated to the Non-executive Director since December 2005. She is a member of the Audit Committee of the Company. She also held a directorship in a subsidiary of the Company. Ms. Chan holds a Bachelor Degree in Accountancy from Queensland University of Technology in Australia. Ms. Chan has over 10 years of experience in corporate finance and management. Prior to joining the Group, Ms. Chan held senior positions in a listed company and an investment company. Ms. Chan is also the chairman, executive director and chief executive officer of China Zenith Chemical Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange").

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. John Handley, *Independent Non-executive Director*
Mr. John Handley, aged 72, has been appointed the Independent Non-executive Director since November 2001. Mr. Handley holds a Postgraduate Diploma in Export Marketing and has over 40 years of experience in marketing an extensive range of consumer products in Australasia and the Far East. During the last 30 years, he has completed a number of consultancy contracts in the PRC and Asian markets for major European manufacturers and held a senior position in a global mobile phone marketing and media company for 10 years. Mr. Handley is a member of the United Kingdom Institute of Export and a fellow member of the Hong Kong Institute of Marketing and an Honorary Voting Member of the Hong Kong Jockey Club.

Ms. Mak Yun Chu, *Independent Non-executive Director*
Ms. Mak Yun Chu, aged 57, has been appointed the Independent Non-executive Director since April 2004. She is the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. Mak is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 10 years of experience in accounting and administration. Ms. Mak was also an independent non-executive director of Wealth Glory Holdings Limited, a company listed on the Growth Enterprise Market Board of the Stock Exchange from September 2010 to November 2013.

Mr. Poon Yiu Cheung Newman, *Independent Non-executive Director*
Mr. Poon Yiu Cheung Newman, aged 61, has been appointed the Independent Non-executive Director since November 2003. Mr. Poon holds a Bachelor of Arts Degree, majoring in accounting and economics from the University of Alberta in Canada. He is a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Poon is a senior executive in a multinational insurance company and has over 25 years of experience in insurance and accounting.

SENIOR MANAGEMENT

Mr. Wong Siu Hong, *Chief Financial Officer and Company Secretary*
Mr. Wong Siu Hong, aged 47, joined the Group in March 2003. Mr. Wong holds a Bachelor Degree in Business, majoring in accounting and commercial law in Australia. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Prior to joining the Group, Mr. Wong worked in a multinational accounting firm and has over 15 years of experience in accounting and auditing. He is responsible for the Group's financial planning and management and overseeing the corporate governance function. Mr. Wong is also an independent non-executive director of CECEP COSTIN New Materials Group Limited, a company listed on the Main Board of the Stock Exchange.

Mr. Chu Yi Chit Javin, *Chief Investment and Corporate Relations Officer*
Mr. Chu Yi Chit Javin, aged 38, joined the Group in May 2012. Mr. Chu holds a Master of Science Degree in Accounting and Finance from the London School of Economics with Distinction and a Bachelor of Business Administration Degree from the Hong Kong University of Science and Technology. He is a member of the CFA Institute and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chu had worked for several sizable and renowned corporations and has over 15 years of experience in corporate finance and accounting. He is responsible for overseeing the Group's project investments and all external communication with the financial and investor community.

Mr. Wong Kam Wing, *General Manager*
Mr. Wong Kam Wing, aged 62, joined the Group in September 1995 and is currently the General Manager, overseeing the Fresh Produce Division of the Group. Mr. Wong has over 25 years of experience in the consumer goods industry. Mr. Wong is responsible for managing the operations and development of the Group's logistics and food processing facility based at Zhongshan in Guangdong Province. He is also responsible for overseeing the sales and distribution operations for fresh produces covering southern China including Hong Kong and Macau.

Ms. Tong Lai Choi Katrina, *Human Resources Manager*
Ms. Tong Lai Choi Katrina, aged 60, joined the Group in May 2010. Ms. Tong holds a Master Degree of Business in Australia. Ms. Tong is responsible for overseeing human resources function of the Group in Hong Kong and the PRC. She has over 20 years of experience in the human resources management.

DIRECTORS' REPORT

The directors ("Directors") of Heng Tai Consumables Group Limited (the "Company", together with its subsidiaries, the "Group") have pleasure in presenting the annual report and the audited consolidated financial statements for the financial year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND FINANCIAL POSITION

The results of the Group for the financial year ended 30 June 2015 are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 26 and 27.

The state of affairs of the Group as at 30 June 2015 are set out in the Consolidated Statement of Financial Position on pages 28 to 29.

RESERVES

The movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 30. The movements in the reserves of the Company are set out in note 35 to the consolidated financial statements.

DIVIDENDS

The board of Directors (the "Board") does not recommend the payment of a final dividend to the shareholders of the Company for the financial year ended 30 June 2015.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 17 to the consolidated financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 19 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2015, reserves of the Company available for distribution to the shareholders of the Company were approximately HK$2,379,937,000 (2014: HK$2,314,120,000). Under the Companies Law of the Cayman Islands (Cap 22, Law 3 of 1961, consolidated and revised), the share premium account of the Company of approximately HK$2,201,195,000 (2014: HK$2,135,688,000) is distributable to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account of the Company may also be distributed in the form of fully paid bonus shares to be issued to members.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales and purchases attributable to the Group's five largest supplying principals accounted for less than 30% of the Group's total purchases for the year.

At all times during the year, no Director, their associate or any shareholder of the Company (which, to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interests in the major customers or suppliers noted above.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca
Ms. Gao Qin Jian

Non-executive Director

Ms. Chan Yuk Foebe

Independent Non-executive Directors

Mr. John Handley
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman

In accordance with the articles of association of the Company, Ms. Hung Sau Yung Rebecca, Ms. Gao Qin Jian and Mr. Poon Yiu Cheung Newman shall retire and be eligible to offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), and considers all Independent Non-executive Directors are independent.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' emoluments

Details of changes in emoluments of each of the Directors for the respective financial year ended 30 June 2015 and 2014 are set out in note 13 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service contracts with the Company. Save for Mr. Lam Kwok Hing and Ms. Lee Choi Lin Joecy, all Directors were appointed for a term of 3 years.

Each of Mr. Lam Kwok Hing and Ms. Lee Choi Lin Joecy entered into service contracts with the Company for an initial term of 3 years commencing on 1 July 2001 renewable automatically for successive terms of 1 year after the expiry of each of the then current term until terminated by not less than 3 months' notice in writing served by either party.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, other than a contract of service with any director or engagement with any full-time employee, were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2015, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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"), were as follows:

Long Positions

Director	Note	Capacity of interests	Number of shares in interest	Approximate percentage of the issued shares
Mr. Lam Kwok Hing ("Mr. Lam")	1	Interest in controlled corporation and family interest	1,160,926,103	17.71%
Ms. Lee Choi Lin Joecy ("Ms. Lee")	1	Interest in controlled corporation and family interest	1,160,926,103	17.71%
Ms. Hung Sau Yung, Rebecca	2	Beneficial owner	30,000,000	0.46%
Ms. Gao Qin Jian	2	Beneficial owner	30,000,000	0.46%
Ms. Chan Yuk Foebe	2	Beneficial owner	20,833,281	0.32%
Mr. John Handley	2	Beneficial owner	20,000,000	0.31%
Ms. Mak Yun Chu	2	Beneficial owner	20,000,000	0.31%
Mr. Poon Yiu Cheung Newman	2	Beneficial owner	15,000,000	0.23%

Notes:

1. 875,337,171 shares are held by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI") wholly and beneficially owned by Mr. Lam; and 285,588,932 shares are held by World Invest Holdings Limited, a company incorporated in the BVI wholly and beneficially owned by Ms. Lee. Ms. Lee is the spouse of Mr. Lam. By virtue of the SFO, each of Mr. Lam and Ms. Lee is deemed to be interested in 1,160,926,103 shares.

2. These shares in interest are share options granted by the Company to the respective Directors. Further details of the share options are set out in note 36 to the consolidated financial statements.

Save as disclosed above, as at 30 June 2015, none of the Directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section titled "Directors' Interests in Securities", at no time during the financial year were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or where there such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SHARE OPTIONS

Particulars of the share option scheme of the Company are set out in note 36 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2015, the interests of every person, other than a Director or chief executive of the Company, in the shares and 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 Directors were as follows:

Long Positions

Substantial Shareholder	Note	Capacity of interests	Number of shares in interest	Approximate percentage of the issued shares
Best Global	1	Corporate interests	875,337,171	13.35%

Note:

1. These shares were in duplicate the interests held by Mr. Lam and Ms. Lee as stated in the section titled "Directors' Interests in Securities".

Save as disclosed above, as at 30 June 2015, no person, other than a Director and chief executive of the Company whose interests are set out in the section titled "Directors' Interests in Securities" above, had any interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company maintained a sufficient public float of not less than 25% of the Company's total issued shares held by the public.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no Director, controlling shareholder or their respective associates (as defined in the Listing Rules) is considered to have any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

DIRECTORS' REPORT

EMOLUMENT POLICY

The Group's remuneration policy was adopted by the Board on the basis of the experience, level of responsibility, contribution and effectiveness of the Group's employees.

The emoluments of the Directors are decided by the Board, as authorised by the shareholders at annual general meetings, having regard to the individual performance, duties and responsibilities with the Company and the prevailing market conditions.

The Remuneration Committee was set up in July 2005, advising the Board on the emoluments of the Directors and senior management. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme are set out in note 36 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Throughout the financial year ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

During the year and up to the date of this report, no connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 88.

BUSINESS REVIEW

Details of business review during the financial year are set out in the section titled "Business Review" on pages 7 to 9 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of the significant events occurring after the reporting period are set out in note 42 to the consolidated financial statements.

CORPORATE GOVERNANCE

Details of the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 18 to 24.

INDEPENDENT AUDITOR

RSM Nelson Wheeler, the independent auditor of the Company, shall retire and a resolution will be submitted to re-appoint RSM Nelson Wheeler as auditor at the forthcoming annual general meeting.

By order of the Board
LAM Kwok Hing
Chairman

Hong Kong, 29 September 2015

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Heng Tai Consumables Group Limited (the "Company", together with its subsidiaries, the "Group") is committed to establish and maintain good corporate governance practices and procedures which are the important elements for risk management along with the growth and expansion of the Company. The Company emphasises on maintaining and carrying out sound, solid and effective corporate governance principles and structures. The board of directors (the "Directors") (the "Board") believes that a well-balanced corporate governance system enables the Group to achieve business excellence and fulfill the Company's vision and missions. Throughout the financial year ended 30 June 2015, the Company has applied the principles of the Corporate Governance Codes (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") and complied with all the applicable code provisions of the CG Code, except with deviations from code provisions A.2.1 and A.6.7. Details of such deviations with considered reasons are set out in the following sections titled "Chairman and Chief Executive" and "Directors' attendance in meetings" respectively.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had fully complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2015.

BOARD OF DIRECTORS

During the year ended 30 June 2015, the Board comprised of the following:

Executive Directors

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca
Ms. Gao Qin Jian

Non-executive Director

Ms. Chan Yuk Foebe

Independent Non-executive Directors

Mr. John Handley
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman

In recognition of their contributions and services to the Group, Directors are remunerated with annual directors' fees or monthly salaries that are commensurable with their duties, individual performance and the prevailing market conditions. Directors' fees or salaries are decided by the Board, as authorised by the shareholders in annual general meetings. Directors may also be granted options to subscribe for shares of the Company under the share option scheme of the Company in order to provide them with an opportunity to participate in the equity of the Company and to motivate them to optimise their performance. In addition, all Directors are covered by appropriate insurance on Directors' liabilities from their risk exposure arising from the management the Group.

Save as disclosed in the section titled "Directors and Senior Management" of this annual report, there is no financial, business, family or other material/relevant relationship between Board members and chief executive.

There is a clear division of responsibilities between the Board and the management. The principal function of the Board is to supervise the overall management of the Company, which includes formulating business strategies, directing and supervising the Company's affairs, approving interim reports and annual reports, announcements of interim and final results and considering dividend policy, major acquisitions, and other significant operational and financial matters of the Company. The Board has delegated to the management team of day-to-day management, strategies implementation and other administrative and operational matters of the Company and each respective subsidiary.

CORPORATE GOVERNANCE REPORT

The Company provided regular financial updates and presentations on the business development of the Group, as well as providing materials and articles explaining on the latest development regarding Listing Rules and other applicable statutory requirements to Directors, including every newly appointed Director, to ensure their contributions to the Board remained informed and relevant. During the year ended 30 June 2015, all Directors have participated in appropriate continuous professional development activities either by attending courses or seminars relevant to directors' profession, or by reading materials relating to the Listing Rules, Companies Ordinance and other statutory requirements and developments on business, economic and political environments. The Company will continue to arrange or fund trainings for Directors as a continuous professional training programme.

CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Since March 2012, the Board has appointed Mr. Lam Kwok Hing ("Mr. Lam") as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operations. As a result of the appointment, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is the co-founder of the Group and has over 25 years' experience in the consumer products industry. In the context of the challenging business environment, the Board believes that a consistent leadership, effective and efficient planning and implementation of business decisions and strategies are of utmost importance. By virtue of Mr. Lam's in-depth experience and understanding of the Group, therefore, vesting the roles of Chairman and Chief Executive Officer on Mr. Lam can generate benefits for the Group and the shareholders as a whole.

NON-EXECUTIVE DIRECTORS

The Board currently includes one Non-executive Director and three Independent Non-executive Directors. At least one of the three Independent Non-executive Directors hold appropriate professional qualifications, or accounting or related financial management expertise set out in rule 3.10(2) of the Listing Rules. More than one-third of the members of the Board are Independent Non-executive Directors.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules.

The Board noted that each of Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman has served the Board for more than 9 years. Save for the aforesaid, each of them fully satisfied with the factors of independence as set out in rule 3.13 of the Listing Rules and there is no evidence that the tenure has had any impact on his/her independence. Accordingly, the Board considers Mr. John Handley, Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman are still independent to serve in the capacity of Independent Non-executive Directors. For the purpose of the CG Code, further appointment of each of Independent Non-executive Directors shall be subject to a separate resolution to be approved by shareholders in general meeting.

All Non-executive Directors (including Independent Non-executive Directors) were appointed with a specific term of 3 years and are subject to retirement by rotation and re-election at annual general meetings at least once for every three years in accordance with the articles of association of the Company.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

The articles of association of the Company provided that every Director shall be subject to retirement by rotation at least once every three years and at each annual general meeting, one-third of the Directors for the time being (or, if the number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation and be eligible, offer themselves for re-election. In addition, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first general meeting after his/her appointment and be subject to retire by rotation at such meeting.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE IN MEETINGS

The Board meets regularly for reviewing and discussing the Group's business updates and strategies. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meeting for the financial year ended 30 June 2015 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Lam Kwok Hing	11/11	N/A	2/2	2/2	1/1
Ms. Lee Choi Lin Joecy	11/11	N/A	N/A	N/A	1/1
Ms. Hung Sau Yung Rebecca	11/11	N/A	N/A	N/A	0/1
Ms. Gao Qin Jian	11/11	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Chan Yuk Foebe	11/11	2/2	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. John Handley	11/11	N/A	N/A	N/A	1/1
Ms. Mak Yun Chu	11/11	2/2	2/2	2/2	0/1
Mr. Poon Yiu Cheung Newman	11/11	2/2	2/2	2/2	1/1

Under the code provision A.6.7 of the CG Code, non-executive directors, including independent non-executive directors, among other things, should attend general meetings and develop a balanced understanding of the views of shareholders. All Directors, except Ms. Hung Sau Yung Rebecca ("Ms. Hung"), the Executive Director, Ms. Chan Yuk Foebe ("Ms. Chan"), the Non-executive Director, and Ms. Mak Yun Chu ("Ms. Mak"), the Independent Non-executive Director, attended the annual general meeting of the Company held on 23 December 2014 (the "AGM") to address to queries of shareholders. Ms. Hung and Ms. Mak were unable to attend the AGM as both of them were not in Hong Kong at that time. Ms. Chan was unable to attend the AGM due to other business engagements. However, all of Ms. Hung, Ms. Chan and Ms. Mak were subsequently reported on the proceedings and views of shareholders in the AGM. As such, the Board considers that a balanced understanding of the views of shareholders among Directors was ensured.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibility are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

The Board recognised that corporate governance should be the collective responsibility of the Directors and their corporate governance duties include:

(a) to develop, review and implement the Company's policy and practices on corporate governance and make recommendation to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct applicable to employees and Directors;

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and

(f) to develop, review and monitor the implementation of the shareholders' communication policy to ensure its effectiveness, and make recommendation to the Board where appropriate to enhance shareholders' relationship with the Company.

COMPANY SECRETARY

The Company Secretary's biography is set out in the "Directors and Senior Management" section of the Annual Report. During the year, the Company Secretary undertook over 15 hours of professional training to update his skills and knowledge in compliance with rule 3.29 of the Listing Rules.

AUDIT COMMITTEE

The members of the Audit Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Ms. Chan Yuk Foebe, Non-executive Director

The Audit Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to reviewing the Group's financial reporting system, the internal control procedures and the Group's consolidated financial statements, as well as the independence of external auditor.

During the financial year ended 30 June 2015, the Audit Committee held 2 meetings with all committee members attended and the external auditor joined to consider the appointment and independence of external auditor, reviewing and supervising the financial control process and internal control of the Group and monitoring and reviewing the interim and annual consolidated financial statements of the Group.

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2014 have been reviewed and approved by the Audit Committee. For the financial year ended 30 June 2015, the Audit Committee reviewed with external auditor, internal auditor and senior management the annual results of the Group as well as the accounting principles and practices being adopted, internal control and financial reporting matters.

CORPORATE GOVERNANCE REPORT

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in July 2005. The members of the Remuneration Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Mr. Lam Kwok Hing, Executive Director

The Remuneration Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, and reviewing and approving the compensation package of Executive Directors and senior management.

The Remuneration Committee held 2 meetings with all committee members attended during the financial year ended 30 June 2015, for assessing the performance of Executive Directors, reviewing and discussing the present remuneration structure of the Group and has made recommendations to the Board in relation to the salaries, bonuses, allowances, share options, and retirement benefits scheme contributions paid to the Directors and senior management of the Group, taking into account the individual performance, duties and responsibilities with the Company and the prevailing market condition. It has also reviewed the terms and conditions of the current share option policy, trainings for Directors and discussed on the time commitment of Directors.

Remuneration of Directors and Senior Management

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 30 June 2015 is set out below:

Remuneration Bands (HK$)	**Number of individuals**
Nil to 1,000,000	1
1,000,001 – 1,500,000	1
1,500,001 – 2,000,000	1
2,000,001 – 2,500,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 13 to the consolidated financial statements.

NOMINATION COMMITTEE

The Company established the Nomination Committee in July 2005. The members of the Nomination Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Mr. Lam Kwok Hing, Executive Director

The Nomination Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to making recommendations to the Board on the appointment or re-appointment of Directors and assessing the independence of Independent Non-executive Director.

During the financial year ended 30 June 2015, the Nomination Committee held 2 meetings with all committee members attended, for reviewing the structure, size and composition including the skills, knowledge and experience of the Board, assessing the independence of the Independent Non-executive Directors, and making recommendations to the Board on the appointment or re-appointment of Directors taking into account their experience and qualifications.

CORPORATE GOVERNANCE REPORT

Pursuant to the code provision A.5.6 of the CG Code, the Board has also adopted a Board Diversity Policy in August 2013 setting out the approach to diversify members of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. The following measurable objectives were adopted: Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board believes that a well-designed system of internal control is crucial to safeguard the assets of the Group and to ensure reliability of the financial reporting as well as compliance with the relevant rules and regulations. The Company has set up an internal audit team, with the intention to prevent material misstatements and losses and to manage rather than eliminate risks of failure in operational systems so as to achieve the Group's objectives.

The Board has overall responsibility for the Group's internal control, financial control and risk management system and shall monitor their effectiveness regularly as well as the scopes of the internal audit reviews according to risk assessment. Special reviews from internal audit functions may also be performed on areas of concern identified by management or the Audit Committee from time to time.

During the financial year under review, the Board has performed a review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management. The review showed a satisfactory control system. The review has been reported to the Audit Committee. The Directors shall, where necessary, initiate appropriate procedures to improve and reinforce the internal control system.

SHAREHOLDERS' RIGHTS

The Company follows a policy of disclosing relevant information to shareholders in a timely manner. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including Independent Non-executive Directors), senior management and external auditor shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 20 clear business days' notice of the date, venue and agenda of such meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the Stock Exchange.

In accordance with the articles of association of the Company, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may request by writing for the attention of the Directors or the Secretary to convene extraordinary general meetings and put forward proposals at such meetings of which not less than 21 days' notice has been duly given. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company at 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.

As regards proposing a person for election as a director, please refer to the procedures as set out in (i) the articles of association of the Company available on the websites of the Company and the Stock Exchange; and (ii) the guidelines titled "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" on the Company's website.

Enquiries of the Board

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to ir@hengtai.com.hk.

CORPORATE GOVERNANCE REPORT

INVESTOR RELATIONS

The Company has established an Investor Relations Policy, which describes the general guidelines and defines the responsibilities in relation to the handling of material information and the communication with financial market. It is in the interest of the Company to maintain effective communication with the financial community and other stakeholders in order to achieve a fair valuation on the Company's securities and at the same time, enhance shareholders' value. The critical element of effective communication process is to provide accurate, complete and transparent information of the Company, along with a timely update on any material changes that occur. The integrity of the capital market is based on full and fair disclosure so that all investors have equal access to material information of the Company.

AUDITORS' SERVICES AND REMUNERATION

An analysis of the remuneration payable to the Group's independent auditors to perform audit and non-audit services for the financial year ended 30 June 2015 is as follows:

Services rendered

	2015 HK$'000	2014 HK$'000
Audit service	**2,021**	1,582
Non-audit services	**139**	–
	2,160	1,582

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and other rules and statutory requirements.

AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The responsibilities of the independent auditor to the shareholders are set out in the Independent Auditor's Report on page 25.

INDEPENDENT AUDITOR'S REPORT

RSM
Audit • Tax • Advisory

TO THE SHAREHOLDERS OF
HENG TAI CONSUMABLES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Heng Tai Consumables Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 26 to 87, which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 30 June 2015, and of the Group's results and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

29 September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Turnover	7	**1,641,409**	1,712,121
Cost of sales		**(1,505,400)**	(1,572,174)
Gross profit		**136,009**	139,947
Changes in fair value of biological assets less costs to sell		**(24,051)**	(23,104)
Other gains and income	8	**50,104**	9,407
Selling and distribution expenses		**(95,290)**	(123,359)
Administrative expenses		**(119,767)**	(188,382)
Other operating expenses		**(18,776)**	(495,317)
Loss from operations		**(71,771)**	(680,808)
Finance costs	10	**(578)**	(486)
Loss before tax		**(72,349)**	(681,294)
Income tax expense	11	**(934)**	(1,133)
Loss for the year	12	**(73,283)**	(682,427)
Attributable to:			
Owners of the Company		**(73,241)**	(681,635)
Non-controlling interests		**(42)**	(792)
		(73,283)	(682,427)
Loss per share	16		(Restated)
Basic		**HK(1.1 cents)**	HK(11.5 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
Loss for the year	**(73,283)**	(682,427)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**468**	8,713
Deferred tax liability on revaluation of buildings	**(118)**	(2,178)
	350	6,535
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(255)**	(1,106)
Exchange differences reclassified to profit or loss upon disposal of a subsidiary	**–**	(255)
Fair value change on available-for-sale financial assets	**191,905**	(30,780)
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**(52,865)**	(224)
	138,785	(32,365)
Other comprehensive income for the year, net of tax	**139,135**	(25,830)
Total comprehensive income for the year	**65,852**	(708,257)
Attributable to:		
Owners of the Company	**65,894**	(707,475)
Non-controlling interests	**(42)**	(782)
	65,852	(708,257)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Fixed assets	17	**683,149**	712,419
Prepaid land lease payments	18	**264,796**	315,465
Construction in progress	19	**121,088**	114,834
Goodwill	20	**230,627**	230,627
Biological assets	21	**77,381**	75,762
Other intangible assets	22	**72,433**	58,833
Other assets	23	**125,019**	106,397
Investment in a club membership	24	**108**	108
Investments	25	**243,231**	97,302
		1,817,832	1,711,747
Current assets			
Biological assets	21	**–**	380
Inventories	26	**203,532**	193,593
Trade receivables	27	**465,919**	443,762
Prepayments, deposits and other receivables		**228,351**	246,721
Investments	25	**390**	32,805
Pledged bank deposits	28	**28,000**	–
Bank and cash balances	28	**348,128**	301,041
		1,274,320	1,218,302
TOTAL ASSETS		**3,092,152**	2,930,049
Capital and reserves			
Share capital	33	**65,545**	54,554
Reserves	35(a)	**2,812,003**	2,668,385
Equity attributable to owners of the Company		**2,877,548**	2,722,939
Non-controlling interests		**574**	616
Total equity		**2,878,122**	2,723,555

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current liabilities			
Finance lease payables	31	**49**	71
Deferred tax liabilities	32	**6,720**	6,260
		6,769	6,331
Current liabilities			
Trade payables	29	**120,545**	116,366
Accruals and other payables		**17,068**	13,542
Borrowings	30	**64,472**	65,599
Finance lease payables	31	**22**	28
Current tax liabilities		**5,154**	4,628
		207,261	200,163
Total liabilities		**214,030**	206,494
TOTAL EQUITY AND LIABILITIES		**3,092,152**	2,930,049
Net current assets		**1,067,059**	1,018,139
Total assets less current liabilities		**2,884,891**	2,729,886

Approved by Board of Directors on 29 September 2015

LAM Kwok Hing
Chairman

LEE Choi Lin Joecy
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Attributable to owners of the Company											
	Share capital (note 33) HK$'000	Share premium account (note 35(c)(i)) HK$'000	Legal reserve (note 35(c)(ii)) HK$'000	Foreign currency translation reserve (note 35(c)(iii)) HK$'000	Share-based payment reserve (note 35(c)(iv)) HK$'000	Property revaluation reserve (note 35(c)(v)) HK$'000	Investment revaluation reserve (note 35(c)(vi)) HK$'000	Special reserve (note 35(c)(vii)) HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2013	54,554	2,087,124	97	196,864	31,366	929	76,701	(86,094)	1,068,873	3,430,414	697	3,431,111
Total comprehensive income for the year	–	–	–	(1,371)	–	6,535	(31,004)	–	(681,635)	(707,475)	(782)	(708,257)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	1,266	1,266
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(565)	(565)
Change in equity for the year	–	–	–	(1,371)	–	6,535	(31,004)	–	(681,635)	(707,475)	(81)	(707,556)
At 30 June 2014	54,554	2,087,124	97	195,493	31,366	7,464	45,697	(86,094)	387,238	2,722,939	616	2,723,555
At 1 July 2014	**54,554**	**2,087,124**	**97**	**195,493**	**31,366**	**7,464**	**45,697**	**(86,094)**	**387,238**	**2,722,939**	**616**	**2,723,555**
Total comprehensive income for the year	**-**	**-**	**-**	**(255)**	**-**	**350**	**139,040**	**-**	**(73,241)**	**65,894**	**(42)**	**65,852**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**12,427**	**-**	**-**	**-**	**-**	**12,427**	**-**	**12,427**
Shares issued pursuant to open offer	**10,911**	**64,646**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**75,557**	**-**	**75,557**
Shares issued under share option scheme	**80**	**861**	**-**	**-**	**(210)**	**-**	**-**	**-**	**-**	**731**	**-**	**731**
Transfer of reserve upon cancellation/lapse of share options	**-**	**-**	**-**	**-**	**(24,913)**	**-**	**-**	**-**	**24,913**	**-**	**-**	**-**
Change in equity for the year	**10,991**	**65,507**	**-**	**(255)**	**(12,696)**	**350**	**139,040**	**-**	**(48,328)**	**154,609**	**(42)**	**154,567**
At 30 June 2015	**65,545**	**2,152,631**	**97**	**195,238**	**18,670**	**7,814**	**184,737**	**(86,094)**	**338,910**	**2,877,548**	**574**	**2,878,122**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(72,349)**	(681,294)
Adjustments for:		
Amortisation of other intangible assets, net of amount capitalised	**17,964**	25,110
Amortisation of prepaid land lease payments, net of amount capitalised	**23,820**	23,838
Changes in fair value of biological assets less costs to sell	**24,051**	23,104
Depreciation, net of amount capitalised	**54,478**	90,538
Finance costs	**578**	486
Gain on fixed assets disposals/written off, net	**(10)**	(52)
Gain on disposal of available-for-sale financial assets	**(41,861)**	(134)
Gain on exchange contracts	**(2,120)**	–
Gain on retirement of held-to-maturity investments	**–**	(1,947)
Gain on disposal of a subsidiary	**–**	(347)
Interest income	**(5,368)**	(5,186)
Equity-settled share-based payments expenses	**12,427**	–
Inventories written off	**273**	–
Trade receivables written off	**135**	–
Allowance for other receivables	**508**	14,865
Impairment loss on goodwill	**–**	47,108
Impairment loss on fixed assets	**–**	112,364
Impairment loss on construction in progress	**–**	121,442
Impairment loss on prepaid land lease payments	**–**	49,341
Impairment loss on deposits for acquisition of land use right	**–**	42,172
Impairment loss on deposits for contract farming business	**–**	42,225
Fair value gain on financial assets at fair value through profit or loss, net	**(85)**	(16)
Fair value loss on fixed assets	**3,544**	–
Operating profit/(loss) before working capital changes	**15,985**	(96,383)
Decrease in biological assets	**3,192**	3,575
(Increase)/decrease in inventories	**(10,212)**	7,014
Increase in other assets	**(18,622)**	(10,519)
Decrease/(increase) in trade and other receivables, prepayments and deposits	**14,507**	(23,069)
Increase in trade and other payables	**7,705**	9,037
Cash generated from/(used in) operations	**12,555**	(110,345)
Income taxes paid	**(128)**	(10)
Interest paid	**(568)**	(478)
Finance lease charges paid	**(10)**	(8)
Net cash generated from/(used in) operating activities	**11,849**	(110,841)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	2015 **HK$'000**	2014 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**5,368**	5,186
Proceeds from disposals of fixed assets	**66**	–
Proceeds from disposal of a subsidiary, net	**–**	1,177
Proceeds from disposal of available-for-sale financial assets	**60,161**	285
Proceeds from retirement of held-to-maturity investments	**32,500**	26,916
Proceeds from settlement of exchange contracts	**2,120**	–
Purchases of fixed assets	**(48,848)**	(18,172)
Purchases of available-for-sale financial assets	**(6,648)**	(841)
Purchases of held-to-maturity investments	**(18,541)**	(32,500)
Purchase of intangible assets	**(31,564)**	(20,625)
Increase in pledged bank deposits	**(28,000)**	–
Increase in construction in progress	**(6,254)**	(72,064)
Net cash used in investing activities	**(39,640)**	(110,638)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling shareholders	**–**	1,266
Net proceeds from issue of share capital	**76,288**	–
Repayment of bank loans	**(80,233)**	(135,934)
Drawdown of bank loans	**79,500**	125,000
Decrease in import loans	**(394)**	(11,311)
Repayment of capital element of finance leases	**(28)**	(242)
Net cash generated from/(used in) financing activities	**75,133**	(21,221)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**47,342**	(242,700)
Effect of foreign exchange rate changes	**(255)**	(1,415)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**301,041**	545,156
CASH AND CASH EQUIVALENTS AT END OF YEAR	**348,128**	301,041
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**348,128**	301,041

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2014:

Amendments to HKAS 16 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments clarify the requirements for the computation of the accumulated depreciation at the date of a revaluation when applying the revaluation method. The amendments did not have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 32, Offsetting financial assets and financial liabilities

The amendments clarify that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendments also consider settlement mechanisms. The amendments did not have a significant effect on the Group's consolidated financial statements.

Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets

The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less costs of disposal is determined using a present value technique. The amendments did not have an impact on these consolidated financial statements as the recoverable amounts of assets or cash-generating units have been determined on the basis of their value in use.

Amendments to HKFRS 2 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments clarify the definitions of "vesting condition" and "market condition" and add definitions for "performance condition" and "service condition". The amendments are applicable prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014 and had no effect on the Group's consolidated financial statements.

Amendments to HKFRS 13 (Annual Improvements to HKFRSs 2010-2012 Cycle)

The amendments to the standard's basis for conclusions only clarify that the liability to measure certain short-term receivables and payables on an undiscounted basis is retained. The amendments did not have a significant effect on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(CONTINUED)*

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective. The directors anticipate that the new and revised HKFRSs will be adopted in the Group's consolidated financial statements when they become effective. The Group is in the process of assessing, where applicable, the potential effect of all new and revised HKFRSs that will be effective in future periods but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

List of new and revised HKFRSs in issue that are relevant for the Group's operation but not yet effective

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. buildings, biological assets, financial assets at fair value through profit or loss and available-for-sale financial assets that are measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(a) Consolidation *(Continued)*

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Business combinations and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of the consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of the consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HKD"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Fixed assets

Fixed assets held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Buildings comprise mainly trading platform, warehouses and offices. Buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, based on valuations by external independent valuers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Any revaluation increase arising on the revaluation of such buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation of revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	The shorter of the lease terms and 50 years
Farmland infrastructure	4 – 15 years
Leasehold improvements	5 years
Plant and machinery	5 – 20 years
Furniture, office equipment and motor vehicles	5 – 10 years

The residual values, useful lives and depreciated method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Construction in progress represents buildings and farmland infrastructure under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Prepaid land lease payments are stated at cost and subsequently amortised on the straight-line basis over the remaining term of the lease.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives.

(f) Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 5 to 10 years.

(g) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

(h) Biological assets

Biological assets are plants managed by the Group which is involved in the agricultural activities of the transformation of biological assets into agricultural produce. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate or the market price with reference to the species, growing condition, cost incurred and expected yield of the crops. Gain or loss on initial recognition and from subsequent changes in fair value less costs to sell is included in profit or loss for the period in which it arises.

Agricultural produce is initially measured at its fair value less costs to sell at the time of harvest. The fair value of agricultural produce is determined based on market prices in the local area. Gain or loss on initial recognition at fair value less costs to sell is included in profit or loss for the period in which it arises.

The fair value less costs to sell at the time of harvest of agricultural produce becomes their cost for the measurement of inventories. Such inventories are subsequently stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(k) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial assets is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically deposits, trade and other receivables, pledged bank deposits, bank balances and cash are classified in this category.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest method, less any impairment losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Financial assets *(Continued)*

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

(l) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

(m) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(n) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(iii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenues from the sales of goods are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Logistics services income is recognised when the service is rendered.

Rental income is recognised on a straight-line basis over the lease term.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' right to receive payment are established.

(p) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefits schemes

The Group contributes to defined contribution retirement schemes which are available to all qualifying employees in Hong Kong and the People's Republic of China (the "PRC").

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(q) Share-based payments

The Group issues equity-settled share-based payments to eligible participants in accordance with its share option scheme.

Equity-settled share-based payments to the directors and employees are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Equity-settled share-based payments to other eligible participants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Taxation *(Continued)*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGU are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Impairment of financial assets

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial assets have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow is remote.

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements apart from those involving estimations, which are dealt with below.

(a) *Distinction between investment properties and owner-occupied properties*

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in provision of logistics services and agri-products post-harvest processing. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in provision of logistics services and agri-products post-harvest processing. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(b) *Operation of agricultural activities*

The Group entered into subcontracting and management agreements for establishment and subsequent maintenance of its fruit tree cultivation and plantation. The directors considered that the Group has been engaging into agricultural activities as the Group has exercised its control on the cultivation development and process although the maintenance work is assigned to subcontractors. Therefore, the Group recognised the biological assets at fair value less costs to sell at initial recognition and at the end of the reporting period under HKAS 41 “Agriculture”.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Fixed assets and depreciation*

The Group determines the estimated useful lives and related depreciation charges for the Group’s fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of fixed assets as at 30 June 2015 was approximately HK$683,149,000 (2014: HK$712,419,000).

(b) *Other intangible assets and amortisation*

The Group determines the estimated useful lives and related amortisation charges for the Group’s other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of other intangible assets as at 30 June 2015 was approximately HK$72,433,000 (2014: HK$58,833,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

(c) Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, approximately HK$934,000 (2014: HK$1,133,000) of income tax was charged to profit or loss based on the estimated profit from operations.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGU to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$230,627,000. Details of the impairment test are explained in note 20 to the consolidated financial statements.

(e) Allowance for bad and doubtful debts

The Group makes allowance for bad and doubtful debts based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying amount of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. Allowance for estimated non-recoverable other receivables in amount of approximately HK$508,000 (2014: HK$14,865,000) was made for the year ended 30 June 2015.

(f) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 30 June 2015 (2014: Nil).

(g) Fair value of the buildings

The Group appointed an independent professional valuer to assess the fair value of the buildings. In determining the fair value of the buildings, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their best estimation and judgements and satisfied that the method of valuation is reflective of their fair value and current market condition.

The carrying amount of the buildings as at 30 June 2015 was approximately HK$320,357,000 (2014: HK$333,609,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(CONTINUED)*

Key sources of estimation uncertainty *(Continued)*

(h) Valuation of biological asset

The Group's biological assets are valued at fair value less costs to sell. The Group appointed an independent professional valuer to assess the fair value of the biological assets. In determining the fair value less costs to sell of the biological assets, the directors and the professional valuer have applied the net present value approach and market approach. The net present value approach requires a number of key assumptions and estimates to be made such as discount rate, harvest profile, costs incurred, growth, harvesting and establishment. The market approach requires the input of the market-determined prices, cultivation area, species, growing conditions, cost incurred and expected yield of the biological assets. Any change in the estimates may affect the fair value of biological assets significantly. The directors and the professional valuer have exercised their judgement and are satisfied that the valuation is reflective of their fair value.

The carrying amount of biological asset as at 30 June 2015 was approximately HK$77,381,000 (2014: HK$76,142,000).

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments at 30 June

	2015 **HK$'000**	2014 HK$'000
Financial assets		
Financial assets at fair value through profit or loss – held for trading	**390**	305
Available-for-sale financial assets	**224,690**	97,302
Held-to-maturity investments	**18,541**	32,500
Loans and receivables (including cash and cash equivalents)	**1,028,662**	923,198
Financial liabilities		
Financial liabilities at amortised cost	**197,235**	191,842

(b) Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk, interest rate risk and business risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency of the principal operating entities of the Group, such as United States dollars ("USD") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major monetary assets and monetary liabilities denominated in foreign currency at the reporting date are as follows:

	2015 **HK$'000**	2014 HK$'000
ASSETS		
RMB	**228,557**	174,452
USD	**37,793**	37,846
LIABILITIES		
RMB	**1,875**	–
USD	**103,776**	99,495

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as HKD is pegged with USD. At 30 June 2015, if HKD had weakened/strengthened 1% (2014: 2%) against RMB with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2015 would have been approximately HK$2,267,000 (2014: HK$3,489,000) lower/higher, arising mainly as a result of the foreign exchange gain/loss on bank balances and deposits and other receivables denominated in RMB.

(ii) Price risk

The Group's investments classified as available-for-sale financial assets and financial assets at fair value through profit or loss are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to equity security price risk. The directors manage this exposure by maintaining a portfolio of investments with different risk profiles.

If the prices of the Group's investments had been 10% higher/lower with all other variables held constant, the consolidated loss after tax and investment revaluation reserve for the year would be decreased/increased by approximately HK$39,000 (2014: HK$31,000) and increased/decreased by approximately HK$22,469,000 (2014: HK$9,730,000) respectively as a result of changes in fair value of listed equity securities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk

The carrying amount of the bank and cash balances, pledged bank deposits, trade and other receivables, deposits and investments included in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The Group has no significant concentrations of credit risk, with exposure spread over a number of counterparties and customers. It has policies in place to ensure that sales are made to customers with an appropriate credit history. In addition, the directors review the recoverable amount of each individual debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts.

The credit risk on bank and cash balances and pledged bank deposits is limited because the counterparties are financial institutions in Hong Kong, Macau and the PRC and registered institutions in Hong Kong.

The credit risk on investments is limited because the counterparties are registered securities broker firms in Hong Kong.

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturity at the end of the reporting period of the Group's financial liabilities based on undiscounted cash flows and the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

Specifically, for borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000
At 30 June 2015					
Trade payables	**–**	**120,545**	**–**	**–**	**120,545**
Accruals and other payables	**–**	**12,218**	**–**	**–**	**12,218**
Borrowings subject to a repayment on demand clause	**64,472**	**–**	**–**	**–**	**64,472**
Finance lease payables	**–**	**28**	**54**	**–**	**82**
	64,472	**132,791**	**54**	**–**	**197,317**
At 30 June 2014					
Trade payables	–	116,366	–	–	116,366
Accruals and other payables	–	9,877	–	–	9,877
Borrowings subject to a repayment on demand clause	65,599	–	–	–	65,599
Finance lease payables	–	39	81	–	120
	65,599	126,282	81	–	191,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iv) Liquidity risk (Continued)

The table that follows summaries the maturity analysis of borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Total undiscounted cash flows HK$'000
At 30 June 2015	**64,575**	**–**	**–**	**64,575**
At 30 June 2014	65,697	–	–	65,697

(v) Interest rate risk

The Group's exposure to interest rate risk arises from its bank deposits, pledged bank deposits and borrowings. These deposits and borrowings bear interests at fixed interest rates and variable rates varied with the then prevailing market condition.

The Group's fixed deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risk. The directors of the Company consider the Group's exposure to interest rate risk on fixed deposits is not significant.

The Group's cash flow interest rate risk primarily relates to variable-rate deposits and borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rate risk on its variable-rate deposits and borrowings at the end of the reporting period and prepared assuming the amount of deposits and borrowings outstanding at the end of each reporting period was outstanding for the whole year.

If interest rate had been 1% higher with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2015 would be increased by approximately HK$484,000 (2014: HK$619,000), arising mainly as a result of higher interest expense on borrowings.

If interest rate had been 1% lower with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2015 would be decreased by approximately HK$484,000 (2014: HK$619,000), arising mainly as a result of lower interest expense on borrowings.

The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors of the Company monitor the Group's exposure in ongoing basis and will consider hedging interest rate risk should the need arise.

(vi) Business risk

The Group is exposed to risks arising from fluctuations in the prices of agri-products which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, weather conditions and diseases. The Group has little or no control over these conditions and factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

(a) Disclosures of level in fair value hierarchy at 30 June:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2015 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	390	–	–	390
Available-for-sale financial assets				
Listed equity securities in Hong Kong	224,690	–	–	224,690
Buildings				
Commercial and industrial – PRC	–	–	320,357	320,357
Biological assets				
Citrus trees	–	–	77,381	77,381
Total recurring fair value measurements	225,080	–	397,738	622,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

(a) Disclosures of level in fair value hierarchy at 30 June: (Continued)

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2014 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity securities in Hong Kong	305	–	–	305
Available-for-sale financial assets				
Listed equity securities in Hong Kong	97,302	–	–	97,302
Buildings				
Commercial and industrial – PRC	–	–	333,609	333,609
Biological assets				
Citrus trees	–	–	75,762	75,762
Vegetables	–	–	380	380
Total recurring fair value measurements	97,607	–	409,751	507,358

There are no transfers into and transfers out of any of the three levels during the year.

(b) Reconciliation of assets measured at fair value based on Level 3:

The movements in the buildings and biological assets under Level 3 fair value measurements during the year are presented in notes 17 and 21 to the consolidated financial statements respectively.

During the year, fair value adjustments on the buildings are recognised in the line item "Other operating expenses" on the face of the consolidated statement of profit or loss and in the line item "Fair value change on revaluation of buildings" on the face of the consolidated statement of profit or loss and other comprehensive income.

Fair value adjustment on biological assets is recognised in the line item "Changes in fair value of biological assets less costs to sell" on the face of the consolidated statement of profit or loss.

All the gains or losses recognised for the year arising from the buildings and biological assets were held at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The chief financial officer reports directly to the Board of Directors (the "Board") for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board at least twice a year.

For Level 3 fair value measurements, the Group normally engages independent professional valuers with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Key unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2015 HK$'000	Fair value 2014 HK$'000
Buildings Commercial and industrial – PRC	Depreciated replacement cost	Discount rate	19.38% to 31.68% (2014: 15% to 30%)	Decrease	**320,357**	333,609
		Replacement cost (per s.q.m)	RMB2,200 to RMB6,000 (2014: RMB2,200 to RMB5,900)	Increase		
Biological assets Citrus trees	Discounted cash flow	Discount rate	17.8% (2014: 17.65%)	Decrease	**77,381**	75,762
		Selling price (per kg)	RMB2.4 to RMB7.8 (2014: RMB2.9 to RMB7.8)	Increase		
		Production (per tree)	7.5kg to 30kg (2014: 7.5kg to 30kg)	Increase		

During the two years, there were no changes in the valuation techniques used.

7. TURNOVER

	2015 HK$'000	2014 HK$'000
Sales of consumer goods	**805,728**	791,786
Sales of agri-products	**786,069**	867,774
Logistics services income	**49,612**	52,561
	1,641,409	1,712,121

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

8. OTHER GAINS AND INCOME

	2015 HK$'000	2014 HK$'000
Dividend income from listed equity investments	9	–
Exchange gain	–	1,452
Fair value gain on financial assets at fair value through profit or loss, net	85	16
Gain on disposal of available-for-sale financial assets	41,861	134
Gain on disposal of a subsidiary	–	347
Gain on exchange contracts	2,120	–
Gain on retirement of held-to-maturity investments	–	1,947
Government grants	338	–
Interest income on bank deposits	4,714	5,186
Interest income on held-to-maturity investments	654	–
Sundry income	323	325
	50,104	9,407

9. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of fast moving consumer goods including packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare 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").

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit requires different technology and marketing strategies.

The chief operating decision makers have been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources and determine the reporting segments.

The accounting policies of the reporting segments are the same as those described in note 4 to the consolidated financial statements. Segment profits do not include gain or loss from investments, certain finance costs and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investments, investment in a club membership and certain fixed assets. Segment liabilities do not include certain borrowings, certain finance lease payables and certain accruals and other payables.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(CONTINUED)*

Information about reportable segment revenue, profit/(loss), assets and liabilities:

	FMCG Trading Business HK$'000	Agri-Products Business HK$'000	Logistics Services Business HK$'000	Total HK$'000
Year ended 30 June 2015				
Revenue from external customers	805,728	786,069	49,612	1,641,409
Segment profit/(loss)	9,027	(108,157)	3,063	(96,067)
Depreciation and amortisation	20,459	55,852	19,575	95,886
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	–	24,051	–	24,051
Additions to segment non-current assets	58,012	29,587	21,321	108,920
As at 30 June 2015				
Segment assets	946,181	1,324,903	531,161	2,802,245
Segment liabilities	79,908	76,543	10,167	166,618

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(CONTINUED)*

	FMCG Trading Business HK$'000	Agri-Products Business HK$'000	Logistics Services Business HK$'000	Total HK$'000
Year ended 30 June 2014				
Revenue from external customers	791,786	867,774	52,561	1,712,121
Segment loss	(7,582)	(584,764)	(62,791)	(655,137)
Depreciation and amortisation	20,486	99,227	19,380	139,093
Other material non-cash items:				
Fair value loss on biological assets less costs to sell	–	23,104	–	23,104
Impairment loss recognised in profit or loss				
– goodwill	–	47,108	–	47,108
– fixed assets	–	112,364	–	112,364
– construction in progress	–	83,647	37,795	121,442
– prepaid land lease payments	–	49,341	–	49,341
– other assets and receivables	–	84,397	–	84,397
Additions to segment non-current assets	21,598	137,808	65,312	224,718
As at 30 June 2014				
Segment assets	795,749	1,334,608	579,996	2,710,353
Segment liabilities	84,139	66,774	8,368	159,281

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

9. SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of reportable segment loss, assets and liabilities:

	2015 HK$'000	2014 HK$'000
Loss		
Total loss of reportable segments	**(96,067)**	(655,137)
Unallocated amounts:		
Other corporate gains/(expenses)	**22,784**	(27,290)
Consolidated loss for the year	**(73,283)**	(682,427)
Assets		
Total assets of reportable segments	**2,802,245**	2,710,353
Unallocated amounts:		
Investments	**243,621**	130,107
Other corporate assets	**46,286**	89,589
Consolidated total assets	**3,092,152**	2,930,049
Liabilities		
Total liabilities of reportable segments	**166,618**	159,281
Unallocated amounts:		
Other corporate liabilities	**47,412**	47,213
Consolidated total liabilities	**214,030**	206,494

Geographical information:

For the years ended 30 June 2014 and 2015, over 95% of the Group's revenue, results, assets and liabilities are derived from customers and operations based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

Revenue from major customer:

For the years ended 30 June 2014 and 2015, the turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover and accordingly, no major customer information is presented.

10. FINANCE COSTS

	2015 HK$'000	2014 HK$'000
Interest on borrowings	**568**	478
Finance lease charges	**10**	8
	578	486

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

11. INCOME TAX EXPENSE

	2015 HK$'000	2014 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	–	27
Over-provision in prior years	(20)	(20)
	(20)	7
Current tax – Overseas		
Provision for the year	612	722
Deferred tax (note 32)	342	404
	934	1,133

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit for the year or has sufficient tax losses brought forward to set off against current year's assessable profit. The amount provided for the year ended 30 June 2014 was calculated at 16.5% based on the estimated assessable profit for that year.

Tax charges 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, two subsidiaries operating in Macau during the year are in compliance with the Decree-Law No. 58/99/M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax. Furthermore, 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% (2014: 25%), based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

11. INCOME TAX EXPENSE *(CONTINUED)*

The reconciliation of the income tax expenses and the product of profit/(loss) before tax multiplied by the statutory tax rate of the countries in which the Company and its subsidiaries are domiciled to the tax expenses at the effective tax rates are as follows:

	2015				2014			
	Macau HK$'000	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000	Macau HK$'000	Hong Kong HK$'000	The PRC HK$'000	Total HK$'000
Profit/(loss) before tax	96,443	14,186	(182,978)	(72,349)	59,979	(13,031)	(728,242)	(681,294)
Applicable income tax rate	12.00%	16.50%	25.00%		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	11,573	2,340	(45,745)	(31,832)	7,197	(2,150)	(182,060)	(177,013)
Tax effect of income not taxable	–	(7,041)	(3,922)	(10,963)	–	(69)	(3,376)	(3,445)
Tax effect of expenses not deductible	–	4,740	45,687	50,427	–	2,544	182,206	184,750
Profits exempted from the Macau Complementary Tax	(11,573)	–	–	(11,573)	(7,197)	–	–	(7,197)
Tax effect of unused tax losses not recognised	–	292	4,031	4,323	–	30	4,184	4,214
Tax effect of utilisation of tax losses not previously recognised	–	(378)	–	(378)	–	(381)	–	(381)
Tax effect of unrecognised temporary difference	–	47	903	950	–	53	172	225
Over-provision in prior years	–	(20)	–	(20)	–	(20)	–	(20)
Income tax expense	–	(20)	954	934	–	7	1,126	1,133

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

12. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

	2015 HK$'000	2014 HK$'000
Amortisation of other intangible assets, net of amount capitalised	**17,964**	25,110
Auditors' remuneration		
Statutory audit	**2,021**	1,582
Non-audit services	**–**	–
	2,021	1,582
Cost of inventories sold	**1,413,257**	1,479,046
Depreciation, net of amount capitalised	**54,478**	90,538
Exchange loss/(gain), net	**388**	(668)
Fair value loss on fixed assets	**3,544**	–
Gain on fixed assets disposals/written off, net	**(10)**	(52)
Inventories written off	**273**	–
Trade receivables written off	**135**	–
Allowance for other receivables	**508**	14,865
Impairment loss on goodwill	**–**	47,108
Impairment loss on fixed assets #	**–**	112,364
Impairment loss on construction in progress #	**–**	121,442
Impairment loss on prepaid land lease payments #	**–**	49,341
Impairment loss on deposits for acquisition of land use rights #	**–**	42,172
Impairment loss on deposits for contract farming business #	**–**	42,225
Operating lease charges in respect of land and buildings, net of amount capitalised	**75,269**	107,388
Other equity-settled share-based payments	**7,095**	–
Rental income ##	**(2,316)**	(3,818)
Staff costs (excluding directors' emoluments – note 13)		
Staff salaries, bonus and allowances	**28,914**	35,203
Equity-settled share-based payments	**2,180**	–
Retirement benefits scheme contributions	**713**	763
	31,807	35,966

The Group reviewed its business operations and changed its business plan in the upstream farming business and overall Agri-Products Business development. Impairment loss of related assets was recognised to profit or loss accordingly.

Included in logistics services income in note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

The emoluments of directors of the Company for the year, disclosed pursuant to the Listing Rules and the Hong Kong Companies Ordinance, were as follows:

	2015 HK$'000	2014 HK$'000
Fees	300	300
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	5,656	5,464
Retirement benefits scheme contributions	50	44
Equity-settled share-based payments	3,152	–
	9,158	5,808

The emoluments of individual director for the year were as follows:

(a) Independent non-executive directors

The fees paid/payable to independent non-executive directors were as follows:

	2015 HK$'000	2014 HK$'000
Fees		
Mr. John Handley	100	100
Mr. Poon Yiu Cheung, Newman	100	100
Ms. Mak Yun Chu	100	100
	300	300

	2015 HK$'000	2014 HK$'000
Equity-settled share-based payments		
Mr. John Handley	525	–
Mr. Poon Yiu Cheung, Newman	525	–
Ms. Mak Yun Chu	526	–
	1,576	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

(b) Executive and non-executive directors

	Fees HK$'000	Salaries, bonuses, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Equity-settled share-based payments HK$'000	Total emoluments HK$'000
2015					
Mr. Lam Kwok Hing	**–**	**2,515**	**18**	**–**	**2,533**
Ms. Lee Choi Lin, Joecy	**–**	**699**	**14**	**–**	**713**
Ms. Chan Yuk, Foebe	**–**	**–**	**–**	**–**	**–**
Ms. Hung Sau Yung, Rebecca	**–**	**1,425**	**18**	**788**	**2,231**
Ms. Gao Qin Jian	**–**	**1,017**	**–**	**788**	**1,805**
	–	**5,656**	**50**	**1,576**	**7,282**
2014					
Mr. Lam Kwok Hing	–	2,395	15	–	2,410
Ms. Lee Choi Lin, Joecy	–	666	14	–	680
Ms. Chan Yuk, Foebe	–	–	–	–	–
Ms. Hung Sau Yung, Rebecca	–	1,380	15	–	1,395
Ms. Gao Qin Jian	–	1,023	–	–	1,023
	–	5,464	44	–	5,508

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2014: HK$Nil).

The five highest paid individuals in the Group during the year included three (2014: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining two (2014: three) individuals are set out below:

	2015 HK$'000	2014 HK$'000
Salaries, bonuses, allowances and benefits in kind	**2,786**	3,713
Retirement benefits scheme contributions	**36**	31
Equity-settled share-based payments	**1,182**	–
	4,004	3,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(CONTINUED)*

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**1**	–
HK$2,000,001 to HK$2,500,000	**1**	–

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2014: HK$Nil).

14. LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the year attributable to owners of the Company included a loss of approximately HK$24,603,000 (2014: HK$11,440,000) which has been dealt with in the financial statements of the Company.

15. DIVIDENDS

The Board does not recommend the payment of final dividend (2014: Nil) in respect of the year ended 30 June 2015.

16. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$73,241,000 (2014: HK$681,635,000) and the weighted average number of ordinary shares of 6,514,102,081 (2014: 5,924,538,218 as restated) in issue during the year after adjusting the effects of the open offer (note 33(a)) in December 2014. The basic loss per share for 2014 had been restated accordingly.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares for both the years ended 30 June 2015 and 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

17. FIXED ASSETS

	Buildings HK$'000	Farmland infrastructure HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 July 2013	335,186	555,965	24,286	242,926	60,054	1,218,417
Additions	–	–	–	17,045	1,257	18,302
Disposal of a subsidiary	–	–	–	–	(3,697)	(3,697)
Disposals/written off	–	–	(1,343)	(62)	(2,754)	(4,159)
Adjustment on revaluation	(1,597)	–	–	–	–	(1,597)
Exchange differences	20	–	–	(1)	2	21
At 30 June 2014 and 1 July 2014	333,609	555,965	22,943	259,908	54,862	1,227,287
Additions	249	7,500	77	40,626	396	48,848
Disposals/written off	–	–	–	–	(123)	(123)
Adjustment on revaluation	(13,501)	–	–	–	–	(13,501)
At 30 June 2015	320,357	563,465	23,020	300,534	55,135	1,262,511
Accumulated depreciation and impairment						
At 1 July 2013	–	90,480	23,822	145,548	46,915	306,765
Depreciation charge for the year	10,310	74,808	332	22,696	3,029	111,175
Disposal of a subsidiary	–	–	–	–	(962)	(962)
Disposals/written off	–	–	(1,343)	(62)	(2,754)	(4,159)
Impairment	–	100,947	–	11,417	–	112,364
Adjustment on revaluation	(10,310)	–	–	–	–	(10,310)
Exchange differences	–	–	–	(4)	(1)	(5)
At 30 June 2014 and 1 July 2014	–	266,235	22,811	179,595	46,227	514,868
Depreciation charge for the year	10,425	44,187	126	17,669	2,579	74,986
Disposals/written off	–	–	–	–	(67)	(67)
Adjustment on revaluation	(10,425)	–	–	–	–	(10,425)
At 30 June 2015	–	310,422	22,937	197,264	48,739	579,362
Carrying amount						
At 30 June 2015	320,357	253,043	83	103,270	6,396	683,149
At 30 June 2014	333,609	289,730	132	80,313	8,635	712,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

17. FIXED ASSETS *(CONTINUED)*

The analysis of the cost or valuation of fixed assets is as follows:

	Buildings HK$'000	Farmland infrastructure HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
At 30 June 2015						
At cost	**–**	**563,465**	**23,020**	**300,534**	**55,135**	**942,154**
At valuation	**320,357**	**–**	**–**	**–**	**–**	**320,357**
	320,357	**563,465**	**23,020**	**300,534**	**55,135**	**1,262,511**
At 30 June 2014						
At cost	–	555,965	22,943	259,908	54,862	893,678
At valuation	333,609	–	–	–	–	333,609
	333,609	555,965	22,943	259,908	54,862	1,227,287

The Group's buildings included above are held under medium term leases in the PRC.

Depreciation charge for the year is analysed as follows:

	2015 HK$'000	2014 HK$'000
Charge to profit or loss	**54,478**	90,538
Capitalised as biological assets	**20,508**	20,637
	74,986	111,175

The Group's buildings were revalued on the depreciated replacement cost basis by Grant Sherman Appraisal Limited, a firm of independent professional valuers.

The carrying amount of the Group's buildings would have been approximately HK$322,266,000 (2014: HK$335,462,000) had they been stated at cost less accumulated depreciation.

At 30 June 2015 the carrying amount of office equipment held by the Group under finance leases amounted to approximately HK$115,000 (2014: HK$168,000).

It is the Group's policy to lease out certain portion of its buildings under operating leases. The average lease term is 1 to 3 years. All leases are on a fixed rental basis and do not include contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

17. FIXED ASSETS *(CONTINUED)*

The Group's total future minimum lease payments under non-cancellable operating leases are receivables as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**1,283**	798
In the second to fifth years inclusive	**37**	82
	1,320	880

For the year ended 30 June 2014, the Group reviewed its upstream farming business operations and changed its business plan in the upstream farming business and overall Agri-Products Business development. After review, the Group changed the estimated useful lives of certain farmland infrastructure from 6 years to 4 years. As a result of this change in accounting estimate, the depreciation charge increased by approximately HK$20,042,000 for that year and will also decrease by approximately HK$14,881,000 for each of the following two years. In addition, impairment loss of approximately HK$112,364,000 (included in other operating expenses) against fixed assets included in Agri-Products Business segment was recognised in profit or loss during that year. The recoverable amount of the relevant assets was determined on the basis of their value in use by using discounted cash flow method. The pre-tax discount rate used was 13%.

18. PREPAID LAND LEASE PAYMENTS

The Group's prepaid land lease payments represent prepaid operating lease payments of the land element of leasehold properties located in the PRC which are held under medium term leases and prepaid operating lease payments of the farmland in the PRC under short to medium term leases.

For the year ended 30 June 2014, the Group reviewed its upstream farming business operations and changed its business plan in the upstream farming business and overall Agri-Products Business development. After review, impairment loss of approximately HK$49,341,000 (included in other operating expenses) against prepaid land lease payments included in Agri-Products Business segment was recognised in profit or loss during that year. The recoverable amount of the relevant assets was determined on the basis of their value in use by using discounted cash flow method. The pre-tax discount rate used was 13%.

19. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2013	164,215
Additions	72,064
Impairment	(121,442)
Exchange differences	(3)
At 30 June 2014 and 1 July 2014	114,834
Additions	6,254
At 30 June 2015	121,088

For the year ended 30 June 2014, the Group reviewed its upstream farming business operations and changed its business plan in the upstream farming business and overall Agri-Products Business development. After review, impairment loss of approximately HK$121,442,000 (included in other operating expenses) against construction in progress included in Agri-Products Business segment and Logistics Services Business segment in amount of approximately HK$83,647,000 and HK$37,795,000 respectively was recognised in profit or loss during that year. The recoverable amount of the relevant assets was determined on the basis of their value in use by using discounted cash flow method. The pre-tax discount rate used was 13%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

20. GOODWILL

	HK$'000
Cost	
At 1 July 2013, 30 June 2014, 1 July 2014 and 30 June 2015	282,525
Accumulated impairment	
At 1 July 2013	4,790
Impairment loss recognised in the year	47,108
At 30 June 2014, 1 July 2014 and 30 June 2015	51,898
Carrying amount	
At 30 June 2015	230,627
At 30 June 2014	230,627

Goodwill acquired in a business combination is allocated, at acquisition, to CGUs that are expected to benefit from that business combination. Before recognition of impairment loss, the carrying amount of goodwill had been allocated as follows:

	2015 **HK$'000**	2014 HK$'000
Distribution of cosmetic products business ("Cosmetic CGU")	**89,472**	89,472
Cultivation and distribution of agri-products business ("Agri CGU")	**112,473**	112,473
Provision of cold chain facilities and logistics services business ("Logistics CGU")	**11,535**	11,535
Distribution of cold chain products business ("Cold Chain CGU")	**69,045**	69,045
	282,525	282,525

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amount of CGUs is determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a period of five years with the residual period using the growth rate of 3% (2014: 3%). The discount rate applied to cash flow projections is 12% (2014: 13%). Management estimated the budgeted gross margin based on past performance and their expectations for market development. The discount rate used is pre-tax rate and reflects specific risks relating to the CGUs.

At 30 June 2014, before impairment testing, goodwill of approximately HK$112,473,000 was allocated to Agri CGU within the Group's Agri-Products Business segment. Due to changes in market condition and business plan, the Group has revised its cash flow forecasts for the above CGU. The goodwill allocated to Agri CGU was reduced to its recoverable amount of approximately HK$65,365,000 through recognition of impairment loss against goodwill of HK$47,108,000 (included in other operating expenses) during the year ended 30 June 2014.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

21. BIOLOGICAL ASSETS

	Citrus trees HK$'000	Vegetables HK$'000	Total HK$'000
At 1 July 2013	52,602	210	52,812
Increase due to purchase/raising	54,465	7,889	62,354
Decrease due to harvest	(10,274)	(5,624)	(15,898)
Loss arising from changes in fair value less costs to sell	(21,011)	(2,093)	(23,104)
Exchange differences	(20)	(2)	(22)
At 30 June 2014 and 1 July 2014	75,762	380	76,142
Increase due to purchase/raising	36,949	3,418	40,367
Decrease due to harvest	(12,352)	(2,725)	(15,077)
Loss arising from changes in fair value less costs to sell	(22,978)	(1,073)	(24,051)
At 30 June 2015	77,381	–	77,381

Included in increase to the Group's biological assets are mainly depreciation of fixed assets, amortisation of other intangible assets, operating lease charges in respect of land and buildings and sub-contracting raising cost of approximately HK$20,508,000 (2014: HK$20,637,000), HK$Nil (2014: HK$132,000), HK$4,493,000 (2014: HK$4,928,000) and HK$3,472,000 (2014: HK$3,487,000) respectively.

At 30 June 2015, the commitments for development and acquisition of biological assets amounted to approximately HK$8,300,000 (2014: HK$4,625,000), which have been included in note 39.

Biological assets as at 30 June 2015 and 2014 are stated at fair values less costs to sell and are analysed as follows:

	2015 HK$'000	2014 HK$'000
Non-current portion	**77,381**	75,762
Current portion	**–**	380
	77,381	76,142

Physical measurement of biological assets at 30 June is as follows:

	Citrus trees (Chinese Mu)
2015	**4,000**
2014	4,000

In accordance with the valuation report issued by Grant Sherman Appraisal Limited, a firm of independent professional valuers, the fair value less costs to sell of the citrus trees is determined with reference to the present value of expected net cash flows from the citrus trees discounted at a current market-determined pre-tax rate.

The fair value less costs to sell of the vegetables is determined by the directors' best estimation and judgement with reference to the market conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

21. BIOLOGICAL ASSETS *(CONTINUED)*

The quantity and amount of agricultural produce harvested measured at fair value less costs to sell during the year were as follows:

	2015	2014
Quantity		
Citrus (kg'000)	**6,234**	5,230
	HK$'000	HK$'000
Amount		
Citrus	**12,352**	10,274

The Group is exposed to a number of risks related to its citrus tree and vegetables plantations:

Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC where it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the prices and sales volumes of citrus. When possible the Group will manage this risk by aligning its harvest volumes to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure will be in line with the market and to ensure that projected harvest volumes will be consistent with the expected demand.

Climate and other risks

The Group's citrus tree and vegetables plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

22. OTHER INTANGIBLE ASSETS

	Distribution rights (a) HK$'000	Customer networks HK$'000	Technical know-how HK$'000	Total HK$'000
Cost				
At 1 July 2013	81,500	97,443	17,216	196,159
Additions	20,625	–	–	20,625
Retirement	–	(97,443)	(17,216)	(114,659)
At 30 June 2014 and 1 July 2014	102,125	–	–	102,125
Additions	31,564	–	–	31,564
Retirement	(17,000)	–	–	(17,000)
At 30 June 2015	116,689	–	–	116,689
Accumulated amortisation and impairment				
At 1 July 2013	28,942	87,699	16,068	132,709
Amortisation for the year	14,350	9,744	1,148	25,242
Retirement	–	(97,443)	(17,216)	(114,659)
At 30 June 2014 and 1 July 2014	43,292	–	–	43,292
Amortisation for the year	17,964	–	–	17,964
Retirement	(17,000)	–	–	(17,000)
At 30 June 2015	44,256	–	–	44,256
Carrying amount				
At 30 June 2015	72,433	–	–	72,433
At 30 June 2014	58,833	–	–	58,833

The intangible assets included above have finite useful lives, over which the assets are amortised.

(a) The Group acquired rights for distribution of certain packaged food and fresh fruit products in Hong Kong, Macau and the PRC. The carrying amount of distribution rights at 30 June 2015 approximates to HK$72,433,000 (2014: HK$58,833,000). The Group carried out reviews of the recoverable amount of its distribution rights, having regard to the market conditions of the Group products. These assets are used in the Group's FMCG Trading Business and Agri-Products Business segments. The average remaining amortisation period for these distribution rights is 4.6 years (2014: 5 years). The amortisation for the year is included in cost of sales of approximately HK$13,964,000 (2014: HK$10,350,000) and selling and distribution expenses of approximately HK$4,000,000 (2014: HK$4,000,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

23. OTHER ASSETS

	2015 HK$'000	2014 HK$'000
Prepaid operating leases for pack houses facilities	**21,565**	12,602
Prepaid operating leases for logistics license and resources	**29,375**	28,125
Prepaid subcontracting charges for seedling plantation	**72,152**	63,578
Deposit for acquisition of land use rights	**1,347**	1,347
Other receivable	**580**	745
	125,019	106,397

For the year ended 30 June 2014, the Group reviewed its upstream farming business operations and changed its business plan in the upstream farming business and overall Agri-Products Business development. After review, impairment loss of approximately HK$17,047,000 (included in other operating expenses) against deposit for acquisition of land use rights included in Agri-Products Business segment was recognised in profit or loss during that year. The recoverable amount of the relevant assets was determined on the basis of their value in use by using discounted cash flow method. The pre-tax discount rate used was 13%.

24. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2014: HK$108,000) at 30 June 2015 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

25. INVESTMENTS

	2015 HK$'000	2014 HK$'000
Non-current assets		
Available-for-sale financial assets		
– listed equity securities in Hong Kong, at fair value	**224,690**	97,302
Held-to-maturity investments	**18,541**	–
	243,231	97,302
Current assets		
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	**390**	305
Held-to-maturity investments	**–**	32,500
	390	32,805

The fair value of the listed equity securities is based on quoted closing price at the end of reporting period.

The carrying amounts of the above financial assets at fair value through profit or loss are held for trading and classified as current assets.

The above available-for-sale financial assets and financial assets at fair value through profit or loss are denominated in HKD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

25. INVESTMENTS *(CONTINUED)*

At the end of the reporting period, the available-for-sale financial assets of approximately HK$204,890,000 (2014: HK$97,302,000) and certain financial assets at fair value through profit or loss of approximately HK$137,000 (2014: HK$192,000) were held as collateral for a standby margin facilities up to HK$5,000,000 (2014: HK$5,000,000) in the broker account. No margin facilities were utilised by the Group as at 30 June 2015 and 2014.

The held-to-maturity investments represent structured RMB fixed deposit investments where the interest payments are fixed at 4.70% and 5.88% per annum and will mature on 15 January 2017 and 16 January 2017 respectively. The carrying amount of the above held-to-maturity investments was stated at amortised cost.

As at 30 June 2014, the held-to-maturity investments represented structured RMB fixed deposit investments where the interest payments were indexed to the currency pair USD/RMB on the maturity date. The carrying amount of these held-to-maturity investments was stated at amortised cost and the directors considered that the fair value of the option component was immaterial as at 30 June 2014.

At 30 June 2015, the held-to-maturity investments of approximately HK$18,541,000 (2014: HK$26,250,000) have been pledged to a bank to secure the banking facilities granted to the Group (note 37).

None of these financial assets is either past due or impaired.

26. INVENTORIES

	2015 **HK$'000**	2014 HK$'000
Raw materials	**96**	281
Packing materials	**150**	134
Finished goods	**203,286**	193,178
	203,532	193,593

27. TRADE RECEIVABLES

The Group normally allows credit terms to established customers ranging from 30 to 120 days (2014: 30 to 120 days).

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

	2015 **HK$'000**	2014 HK$'000
1 – 30 days	**118,084**	131,446
31 – 60 days	**145,536**	123,726
61 – 90 days	**133,751**	109,696
Over 90 days	**68,548**	78,894
	465,919	443,762

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For the year ended 30 June 2015

27. TRADE RECEIVABLES *(CONTINUED)*

At 30 June 2015, trade receivables of approximately HK$4,707,000 (2014: HK$1,047,000) were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2015 HK$'000	2014 HK$'000
Up to 90 days	**242**	611
Over 90 days	**4,465**	436
	4,707	1,047

28. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

The Group's pledged bank deposits represented deposits pledged to a bank to secure banking facilities granted to the Group (note 37).

At 30 June 2015, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$92,678,000 (2014: HK$53,016,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

29. TRADE PAYABLES

The aging analysis of trade payables, based on the date of receipt of goods purchased, is as follows:

	2015 HK$'000	2014 HK$'000
1 – 30 days	**99,935**	107,325
31 – 60 days	**20,385**	8,559
61 – 90 days	**15**	2
Over 90 days	**210**	480
	120,545	116,366

30. BORROWINGS

	2015 HK$'000	2014 HK$'000
Bank loans, secured (note 37)	**64,472**	65,599

The borrowings are repayable on demand or within one year.

The carrying amounts of the Group's borrowings are denominated in HKD.

The range of effective interest rates at 30 June was as follows:

	2015	2014
Bank loans	**1.67% to 2.54% p.a.**	1.71% to 2.46% p.a.

The bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

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For the year ended 30 June 2015

31. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**28**	39	**22**	28
In the second to fifth years, inclusive	**54**	81	**49**	71
	82	120	**71**	99
Less: Future finance charges	**(11)**	(21)	**–**	–
Present value of lease payables	**71**	99	**71**	99
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(22)**	(28)
Amount due for settlement after 12 months			**49**	71

It is the Group's policy to lease certain of its office equipment under finance leases. The average lease term is 5 years. For the year ended 30 June 2015, the effective borrowing rate was in the range from 6% to 14.89% (2014: 6% to 14.89%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of each lease term, the Group has the option to purchase the office equipment at nominal prices.

All finance lease payables are denominated in HKD.

The Group's finance lease payables are secured by the lessors' title to the leased assets.

32. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group.

	Revaluation of buildings and accelerated tax depreciation
	HK$'000
At 1 July 2013	3,711
Charge to profit or loss for the year (note 11)	404
Charge to other comprehensive income for the year	2,178
Exchange differences	(33)
At 30 June 2014 and 1 July 2014	6,260
Charge to profit or loss for the year (note 11)	342
Charge to other comprehensive income for the year	118
At 30 June 2015	6,720

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For the year ended 30 June 2015

32. DEFERRED TAX LIABILITIES *(CONTINUED)*

At the end of the reporting period, the following deductible temporary differences have not been recognised as deferred tax asset:

	2015 HK$'000	2014 HK$'000
Prepaid land lease payments	**8,223**	7,845
Revaluation of buildings	**41,600**	37,446
Decelerated tax depreciation	**11,922**	10,931
Unused tax losses	**126,013**	131,536
	187,758	187,758

Deferred tax asset has not been recognised in respect of the above deductible temporary differences due to the unpredictability of future profit streams. The tax losses are subject to approval of tax bureau. Included in unrecognised tax losses are losses of approximately HK$95,889,000 (2014: HK$101,129,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

33. SHARE CAPITAL

	Note	**Number of shares**	**Amount** HK$'000
Authorised:			
Ordinary shares of HK$0.01 each			
At 30 June 2014 and 2015		10,000,000,000	100,000
Issued and fully paid:			
At 1 July 2013, 30 June 2014 and 1 July 2014		5,455,375,891	54,554
Open offer	(a)	1,091,075,178	10,911
Shares issued on exercise of share options	(b)	8,000,000	80
At 30 June 2015		6,554,451,069	65,545

Notes:

(a) In December 2014, 1,091,075,178 ordinary shares of HK$0.01 each in the Company were issued at HK$0.07 per share by way of open offer. The gross proceeds of approximately HK$76,375,000 are intended for the business development and as general working capital of the Group. The excess of the consideration received over the nominal value of the share issued net of expenses, in the amount of approximately HK$64,646,000, was credited to the share premium account.

(b) During the year, the Company issued 8,000,000 new shares at a subscription price of HK$0.0914 per share for a total cash consideration of approximately HK$731,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

33. SHARE CAPITAL *(CONTINUED)*

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 30 June 2014 and 2015.

The only externally imposed capital requirement for the Company to maintain its listing status on the main board of The Stock Exchange of Hong Kong Limited is that it has to have a public float of at least 25% of the shares. Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float throughout the year ended 30 June 2015 as required under the Listing Rules of the Stock Exchange. As at 30 June 2015, over 25% (2014: over 25%) of the shares were in public hands.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015	2014
	HK$'000	HK$'000
Fixed assets	**10**	22
Investment in a subsidiary	**47,780**	47,780
Prepayment, deposits and other receivables	**82**	93
Due from a subsidiary	**2,416,002**	2,367,569
Bank and cash balances	**1,476**	667
Accruals and other payables	**(1,198)**	(1,091)
Borrowings	**–**	(15,000)
Net assets	**2,464,152**	2,400,040
Share capital	**65,545**	54,554
Reserves	**2,398,607**	2,345,486
Total equity	**2,464,152**	2,400,040

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

35. RESERVES *(CONTINUED)*

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 July 2013	2,135,688	31,366	189,872	2,356,926
Loss for the year	–	–	(11,440)	(11,440)
At 30 June 2014	2,135,688	31,366	178,432	2,345,486
At 1 July 2014	**2,135,688**	**31,366**	**178,432**	**2,345,486**
Loss for the year	**–**	**–**	**(24,603)**	**(24,603)**
Recognition of equity-settled share-based payments	**–**	**12,427**	**–**	**12,427**
Shares issued pursuant to open offer	**64,646**	**–**	**–**	**64,646**
Shares issued under share option scheme	**861**	**(210)**	**–**	**651**
Transfer of reserve upon cancellation/ lapse of share options	**–**	**(24,913)**	**24,913**	**–**
At 30 June 2015	**2,201,195**	**18,670**	**178,742**	**2,398,607**

(c) Nature and purpose of reserves

(i) Share premium account

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation on 3 December 2001 over the nominal value of the share capital of the Company issued in exchange; (ii) the premium arising from the capitalisation issue of shares in prior years; and (iii) the premium arising from the issue of new shares in prior years.

(ii) Legal reserve

Legal reserve represented reserve retained in accordance with the Article 377 of the Macao Commercial Code for the entities incorporated in Macao.

(iii) Foreign currency translation reserve

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(c) to the consolidated financial statements.

(iv) Share-based payment reserve

Share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants recognised in accordance with the accounting policy adopted for share-based payments in note 4(q) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

35. RESERVES *(CONTINUED)*

(c) Nature and purpose of reserves *(Continued)*

(v) Property revaluation reserve

Property revaluation reserve has been set up and is dealt with in accordance with the accounting policy adopted for buildings in note 4(d) to the consolidated financial statements.

(vi) Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(k)(iv) to the consolidated financial statements.

(vii) Special reserve

The special reserve of the Group comprises the excess of the fair value of consideration payable for the acquisition of additional interest in a subsidiary over the decrease in the carrying value of the non-controlling interests.

36. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme adopted on 21 December 2009 (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The SO Scheme will remain in force for 10 years from that date. Eligible participants of the SO Scheme include the Company's directors (including non-executive and independent non-executive directors), other employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and other groups or classes of participants as determined by the directors.

The maximum number of shares which may be issued upon exercise of all options to be granted under the SO Scheme is equivalent to 10% of the shares of the Company in issue at the date of approval of the SO Scheme, unless a fresh approval is obtained from the shareholders in general meeting. The maximum number of shares issued and to be issued upon exercise of share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at the time of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by all of the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 10 days from the date of the offer, upon payment of a nominal option price by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the SO Scheme, if earlier.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

36. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

The following share options were outstanding under the SO Scheme during the year:

	Number of share options							
Name or category of participants	At 1 July 2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 30 June 2015	Date of grant of share options	Exercise period of share options	Exercise prices of share options (Note) HK$
Executive directors								
Ms. Hung Sau Yung, Rebecca	32,580,000*	–	–	(32,580,000)	–	6 November 2012	6 November 2012 to 5 November 2017	0.1890*
	–	30,000,000	–	–	30,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.0914
Ms. Gao Qin Jian	32,580,000*	–	–	(32,580,000)	–	6 November 2012	6 November 2012 to 5 November 2017	0.1890*
	–	30,000,000	–	–	30,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.0914
Non-executive director								
Ms. Chan Yuk, Foebe	20,833,281*	–	–	–	20,833,281	15 June 2011	15 June 2011 to 14 June 2016	0.5720*
Independent non-executive directors								
Mr. John Handley	6,944,427*	–	–	(6,944,427)	–	15 June 2011	15 June 2011 to 14 June 2016	0.5720*
	16,290,000*	–	–	(16,290,000)	–	6 November 2012	6 November 2012 to 5 November 2017	0.1890*
	–	20,000,000	–	–	20,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.0914
Mr. Poon Yiu Cheung, Newman	6,944,427*	–	–	(6,944,427)	–	15 June 2011	15 June 2011 to 14 June 2016	0.5720*
	16,290,000*	–	–	(16,290,000)	–	6 November 2012	6 November 2012 to 5 November 2017	0.1890*
	–	20,000,000	(5,000,000)	–	15,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.0914
Ms. Mak Yun Chu	6,944,427*	–	–	(6,944,427)	–	15 June 2011	15 June 2011 to 14 June 2016	0.5720*
	16,290,000*	–	–	(16,290,000)	–	6 November 2012	6 November 2012 to 5 November 2017	0.1890*
	–	20,000,000	–	–	20,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.0914

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For the year ended 30 June 2015

36. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

Name or category of participants	Number of share options: At 1 July 2014	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	At 30 June 2015	Date of grant of share options	Exercise period of share options	Exercise prices of share options (Note) HK$
Employees (in aggregate)	57,386,000*	–	–	(57,386,000)	–	6 November 2012	6 November 2012 to 5 November 2017	0.1890*
	–	83,000,000	(3,000,000)	–	80,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.0914
Other eligible participants (in aggregate)	124,999,686*	–	–	(104,166,405)	20,833,281	15 June 2011	15 June 2011 to 14 June 2016	0.5720*
	13,888,854*#	–	–	–	13,888,854#	15 June 2011	1 January 2012 to 31 December 2016	0.5720*
	13,888,854*##	–	–	–	13,888,854##	15 June 2011	1 January 2013 to 31 December 2017	0.5720*
	130,320,000*	–	–	(130,320,000)	–	6 November 2012	6 November 2012 to 5 November 2017	0.1890*
	–	270,000,000	–	–	270,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.0914
	496,179,956	473,000,000	(8,000,000)	(426,735,686)	534,444,270			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

36. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

Name or category of participants	Number of share options: At 1 July 2013	Granted during the year	Cancelled/lapsed during the year	At 30 June 2014	Date of grant of share options	Exercise period of share options	Exercise prices of share options HK$
Executive directors							
Ms. Hung Sau Yung, Rebecca	30,000,000	–	–	30,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Ms. Gao Qin Jian	30,000,000	–	–	30,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Non-executive director							
Ms. Chan Yuk, Foebe	19,183,500	–	–	19,183,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
Independent non-executive directors							
Mr. John Handley	6,394,500	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
	15,000,000	–	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Mr. Poon Yiu Cheung, Newman	6,394,500	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
	15,000,000	–	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Ms. Mak Yun Chu	6,394,500	–	–	6,394,500	15 June 2011	15 June 2011 to 14 June 2016	0.621
	15,000,000	–	–	15,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Employees (in aggregate)	53,000,000	–	–	53,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
Other eligible participants (in aggregate)	115,101,000	–	–	115,101,000	15 June 2011	15 June 2011 to 14 June 2016	0.621
	12,789,000#	–	–	12,789,000#	15 June 2011	1 January 2012 to 31 December 2016	0.621
	12,789,000##	–	–	12,789,000##	15 June 2011	1 January 2013 to 31 December 2017	0.621
	120,000,000	–	–	120,000,000	6 November 2012	6 November 2012 to 5 November 2017	0.205
	457,046,000	–	–	457,046,000			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

36. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

* The number of share options and exercise prices have been adjusted to reflect the open offer during the year.

These share options have a vesting period from 15 June 2011 to 31 December 2011.

These share options have a vesting period from 15 June 2011 to 31 December 2012.

Note:

The closing price of the shares of the Company immediately before the date on which the options were granted on 16 January 2015 was HK$0.089 per share. The exercise price of the share options is subject to adjustment in the case of open offer, or other similar changes in the Company's share capital.

The number and weighted average exercise price of the share options are as follows:

	2015		2014	
	Number of share options	**Weighted average exercise price HK$**	Number of share options	Weighted average exercise price HK$
Outstanding at the beginning of the year	**496,179,956***	**0.3392***	457,046,000	0.368
Granted during the year	**473,000,000**	**0.0914**	–	–
Exercised during the year	**(8,000,000)**	**0.0914**	–	–
Cancelled during the year	**(424,735,686)**	**0.3017**	–	–
Lapsed during the year	**(2,000,000)**	**0.2050**	–	–
Outstanding at the end of the year	**534,444,270**	**0.1538**	457,046,000	0.368
Exercisable at the end of the year	**534,444,270**		457,046,000	

* The number of share options and exercise prices have been adjusted to reflect the open offer during the year.

Share options granted to other eligible participants were incentive for their services to assist the Group expanding its business network and exploring new business opportunities. The fair value of such benefit could not be measured reliably by reference to any available market value and as a result, the fair values of these share options are measured by reference to the fair values at the measurement dates.

The weight average share price at the date of exercise for share options exercised during the year was HK$0.166. The options outstanding at the end of the year have a weighted average remaining contractual life of 4.14 years (2014: 2.69 years) and the exercise prices range from HK$0.0914 to HK$0.572 (2014: HK$0.205 to HK$0.621). In 2015, options were granted on 16 January 2015. The estimated fair value of the options on this date is approximately HK$12,427,000.

36. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

This fair value was calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Grant date	**16 January 2015**
Option value – HK$	**0.02627**
Share price at date of grant – HK$	**0.089**
Exercise price – HK$	**0.0914**
Volatility	**58.98%**
Risk free rate	**0.317%**
Expected life of options	**2 years**
Expected dividend yield	**0%**

Expected volatility was determined by calculating the historical volatility of the Company's share price over a period that is equal to the expected life of the options before dates of grant. The expected lives of the options were determined with reference to the Company's historical share price records as extracted from Bloomberg.

At 30 June 2015, the Company had 534,444,270 (2014: 457,046,000) share options outstanding under the SO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 534,444,270 (2014: 457,046,000) additional ordinary shares and additional share capital of HK$5,344,443 (2014: HK$4,570,460) and share premium of approximately HK$76,879,000 (2014: HK$163,607,000) (before share issue expenses).

37. BANKING FACILITIES

At 30 June 2015, the Group's banking facilities in respect of overdrafts, term loans and other trade finance facilities were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company; a charge over the Group's pledged bank deposits (note 28); and a charge over the Group's held-to-maturity investments (note 25).

38. CONTINGENT LIABILITIES

At 30 June 2015, the Group did not have any significant contingent liabilities (2014: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

39. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	2015 HK$'000	2014 HK$'000
Contracted but not provided for		
– Fixed assets	8,098	7,500
– Construction in progress	45,978	64,628
– Seedling plantation	8,300	4,625
	62,376	76,753

40. OPERATING LEASE COMMITMENTS

At 30 June 2015, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015 HK$'000	2014 HK$'000
Within one year	429	18,658
In the second to fifth years, inclusive	277	2,936
	706	21,594

Leases are negotiated for terms ranged from 1 to 3 years and 3 to 15 years for office premises and farmland in the PRC respectively and rental are fixed over the lease terms and do not include contingent rentals.

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For the year ended 30 June 2015

41. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2015 are as follows:

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Amazing Victory Ltd.	The British Virgin Islands (the "BVI")	Ordinary US$1	100%	Distribution of cold chain products
Assure Top Limited	HK	Ordinary HK$10,000	100%	Trading of packaged food
Fancy Mover Limited	BVI	Ordinary US$10,000	100%	Distribution of cosmetics and skincare products
Golden Harvest (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	Sourcing and distribution of fresh produce products
Golden Sector Agro-Development Limited	HK	Ordinary HK$10,000	100%	Trading of fresh produce products
Golden Sector Limited	HK	Ordinary HK$10,000	100%	Distribution of packaged food, beverages, household consumable products and nourishing products
Heng Tai Finance Limited	HK	Ordinary HK$10,000	100%	Provision of treasury services
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages, household consumable products and cold chain products
Master Oriental Limited	HK	Ordinary HK$10,000	100%	Investment holding
New Sino International Ltd.	BVI	Ordinary US$10,000	100%	Operator of overseas packing houses and PRC distribution depots
Nexus Logistics Development Limited	BVI	Ordinary US$100	100%	Provision of logistics and transportation services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

41. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Nexus Logistics (International) Limited	HK	Ordinary HK$4,000,000	100%	Provision of logistics and transportation services
Simming Light Investment Ltd.	BVI	Ordinary US$10,000	100%	Investment holding in agri-business
Sinobright Global Limited	BVI	Ordinary US$10,000	100%	Investment holding
Sui Tai & Associates Limited	HK	Ordinary HK$10,000	100%	Provision of administrative services
Starryield Limited	BVI	Ordinary US$10,000	100%	Distribution of chilled and frozen seafood and meat products
金濤（中山）果蔬物流有限公司*	PRC	US$30,000,000	100%	Owner and operator of Zhongshan logistics centre
上海士豐實業有限公司*	PRC	US$10,100,000	100%	Owner and operator of Shanghai logistics centre
上海潤歆貿易有限公司*	PRC	US$3,000,000	100%	Distribution of cosmetics and skincare products
惠東縣裕盛農業有限公司**/#	PRC	HK$10,000,000	90%	Cultivation and sales of fruits and vegetables
中滔（九江）農業發展有限公司*	PRC	HK$5,000,000	100%	Cultivation of agricultural products and livestock breeding

* Foreign wholly-owned enterprise.

** Chinese-foreign equity joint venture.

\# The registered capital of 惠東縣裕盛農業有限公司 is HK$10,000,000 of which HK$7,666,069 has been paid up as at 30 June 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2015

41. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 30 June 2015, the bank and cash of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$92,678,000 (2014: HK$53,016,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

42. EVENT AFTER THE REPORTING PERIOD

As at the date of approval of these consolidated financial statements, the fair value of the available-for-sale financial assets held at 30 June 2015 decreased to approximately HK$161,142,000.

43. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the Board on 29 September 2015.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, liabilities and equity of the Group for the last five financial years is set out below:

RESULTS

	Year ended 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss)/profit attributable to:					
– Owners of the Company	**(73,241)**	(681,635)	(179,185)	(30,012)	132,784
– Non-controlling interests	**(42)**	(792)	(39,514)	(27,267)	(13,625)
(Loss)/profit for the year	**(73,283)**	(682,427)	(218,699)	(57,279)	119,159

ASSETS, LIABILITIES AND EQUITY

	At 30 June				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**3,092,152**	2,930,049	3,654,490	3,764,894	3,483,868
Total liabilities	**(214,030)**	(206,494)	(223,379)	(217,346)	(267,175)
Total non-controlling interests	**(574)**	(616)	(697)	42,883	16,378
Total equity attributable to owners of the Company	**2,877,548**	2,722,939	3,430,414	3,590,431	3,233,071

Note: The results of the Group for the four years ended 30 June 2011, 2012, 2013 and 2014 and the assets, liabilities and equity of the Group as at these dates have been extracted from the audited consolidated financial statements of the Company for the respective years and restated as appropriate. The results of the Group for the year ended 30 June 2015 and the assets, liabilities and equity of the Group as at 30 June 2015 are those set out in page 26 and pages 28 and 29 of the consolidated financial statements, respectively.