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 2017

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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
Mr. Chan Cheuk Yu Stephen

Independent Non-Executive Directors:
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman
Mr. Hung Hing Man

COMPANY SECRETARY
Mr. Wong Siu Hong

INDEPENDENT AUDITOR
RSM Hong Kong
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Hang Seng Bank Limited
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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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 2017 ("FY2017").

FINANCIAL PERFORMANCE

The operating environment was still challenging as a result of weak macro economy and market demand. Although China's GDP has been stabilizing at around 6.7%-6.9%, the retail sales growth continuously lingered around 9%-11% during the financial year, which was a low level over the past decade. On the other hand, the competition from domestic brands has become increasingly intense over recent years, domestic brands have been investing much more heavily in media. To remain competitive, the Group had to keep pace with consumers' aspirations and abandoned trading business in some highly competitive market like cosmetics trading to re-shift focus on core and profitable category such as packaged foods. Furthermore, the Group has been undergoing extensive business transformation over past few years in order to mitigate the negative impact from the previous capital investments for the upstream farming business. In view of the persistently weak market demand for the upstream farming business, the Group halted further new capital investment in it, giving rise to impairment losses on the previous investments in the Group's Jiangxi farming base, which substantially impacted the bottom line of the financial year under review. Other impairment losses and provisions were also recognized for the existing businesses in addition to those for the upstream farming business owing to the challenging environment. In order to smooth out the fluctuations in existing businesses, the Group has been actively seeking various investment opportunities to diversify business risks. During the financial year, the Group has invested in Sino Wealth Securities Limited ("Sino Wealth"), a company principally engaged in securities brokerage business, and Moon Concept Limited ("Moon Concept"), a company owning the licensed rights to exploit all series and any types of "Ultraman" in organizing concert scaled live show presentation. The Group believes that the acquisitions could broaden the Group's revenue and earning sources.

Revenues fell approximately 10.4% to approximately HK$1.22 billion in FY2017. The net loss for FY2017 was approximately HK$416.9 million, compared to the net loss of approximately HK$250.5 million as restated for the preceding financial year ("FY2016"). The increase in the net loss was mainly attributable to the decrease in turnover and the increase in other operating expenses, which were impairment losses and provisions for various assets, primarily relating to the upstream farming business.

BUSINESS REVIEW

During the financial year under review, the consumer market in China was still weak, which could be reflected by the sluggish growth in retail sales. The FMCG Trading Business also faced a lot of challenges during the financial year. In addition to the persistently weak market demand, the keen competition from domestic brands as well as the increase in Renminbi volatility put great pressure on the financial performance of this business unit. During the financial year, the Group trimmed down the cosmetics trading business in the wake of its intense competition and more resources could be re-shifted to packaged foods for which the Group owns well-established procurement and sales networks. Apart from expanding product portfolio and sales channels, the Group also proactively explored synergies between the FMCG Trading Business and other new businesses contemplated. In last financial year, the Group invested in Waygood Investment Development Limited ("Waygood"), which indirectly owns Tsim Sha Tsui East-based department store, Tycoon City, where could be a new platform to increase brand awareness of the Group's finished FMCG products to China's customers through displaying and selling consumable products. During the financial year, the Group also completed the acquisition of 100% interest in Moon Concept, which owns the licensed rights to exploit all series and any types of "Ultraman" in organizing concert scaled live show presentation. The transaction has connected the Group with the business partner owning the intellectual properties of "Ultraman", and the Group has been already negotiating with them for more intellectual properties of "Ultraman" adding to the Group's FMCG products.

The Group continued to improve gross profit margin by way of pursuing better product-mix and adopting flexible pricing strategies to increase prices for certain kinds of products. The Group strived to negotiate the best terms based on the entrenched relationship with suppliers. In the meantime, the Group also adopted various measures to reduce various selling and distribution expenses such as staff costs, sales commission and handling fees to enhance the overall profitability of this business unit.

CHAIRMAN'S STATEMENT

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 faced same problems such as sliding consumer market and the increased volatility in Renminbi. Worse still, the anti-extravagance atmosphere and the occurrence of inclement weather conditions in some countries of origin of the Group's imported fruits further worsened the operating conditions and led to shortage of some products. Therefore, while the Group adopted a more conservative approach to take customers' sales orders only when the supply was assured, the Group simultaneously increased selling prices and service standards in order to improve gross profit margin and retain high quality customers. For the upstream farming business, while the Group focused on the existing citrus cultivation in Jiangxi, new developments had been abandoned when the capital commitment drew closer considering the persistently weak market demand. As a result, there were substantial impairment losses relating to the previous investments in the Jiangxi's farming base such as the prepaid land lease payments, fixed assets, construction in progress and plantation costs for its infrastructure due to the abandonment of its development. Although there was a significant loss stemming from impairment losses, the existing farming operations recorded stable revenue contribution and the Group will continue to enhance its performance by expanding distribution channels including exporting our self-grown agricultural products to overseas markets and seeking collaboration with domestic organizations and farmers to enhance productivity and agricultural skills.

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. During the financial year, the Group reviewed and consolidated the logistics operations in southern China and disposed of the logistics centre in Zhongshan in view of the financial benefits and the new operational capacity coming from the logistics centre in Huidong. The operations of food processing, warehouse storage and third party logistics were gradually transferred to the newly leased storage premise close to the Zhongshan logistics centre for existing customers in the vicinity area and the Huidong logistics centre for other customers. The transitional works were smooth and the logistics operations in southern China will be under close scrutiny over coming year.

During the financial year, the Group completed the acquisition of Sino Wealth which is principally engaged in securities brokerage business. Investing in the business of Hong Kong financial services industry could provide stable commission revenues and broaden earning sources in addition to the traditional trading business, which is highly correlated to the Chinese consumer market. Further, the Group is carefully exploring the potentials of developing margin clients and lending business in hope of boosting the profitability of this business unit.

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2017. In view of the unpredictable global and Chinese 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 strengthen the traditional trading business as well as develop new businesses acquired during the financial year, those are the intellectual property business and the securities brokerage business. The intellectual property business includes the concert scaled live show presentation in event halls with the rights to use the intellectual properties of the famous Japanese comic character "Ultraman" in the region of Hong Kong, Macau and Taiwan. The first live show was held in Macau subsequent to the financial year, unfortunately Typhoon Hato severely damaged Macau as well as the debut events. Nevertheless, the Group is still confident on its financial viability and the second show will be performed in Taipei in coming December. Moreover, the Group is proactively negotiating for more intellectual property rights of "Ultraman" adding to the Group's FMCG products in hope of increasing brand awareness. Apart from "Ultraman", the Group will proactively seek cooperation with other intellectual property rights owners and target to boost the competitiveness of the Group's FMCG products riding on certain recognized and well-known intellectual properties.

Leveraging on the uptrend in the Hong Kong stock market since 2017, the Group believes the securities brokerage business will benefit. The development in margin clients and lending business will be another potential growth driver, all necessary steps for the application of margin clients and lending business will be executed carefully.

CHAIRMAN'S STATEMENT

For the traditional trading businesses, the Group will continue to expand its procurement network and product portfolio. On the other hand, the Group will closely monitor the pricing strategy and negotiate the best terms from the suppliers to improve gross profit margin despite the increase in Renminbi volatility and the increased import costs. After the disposal of the logistics centre in Zhongshan, the Group will continuously monitor the operations of the newly leased premise in Zhongshan to ensure service standards will not be affected.

Following various cost-saving initiatives undertaken over past few years, the Group will continue to implement different measures to control operating expenses. The Group's efforts have been getting traction that both selling and administrative expenses (save for some one-off spending such as professional fees for acquisitions) were reduced evidently in past few years, and the Group will make every effort to maintain this encouraging trend in coming year.

The Group will keep working hard to improve financial performance by broadening revenue stream and continuously implementing austerity measures. Meanwhile, the Group will consistently maintain a healthy and strong financial position and adopt a conservative approach towards capital investments to weather any unexpected headwinds under such fluctuating operating environment.

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 investments in securities brokerage and intellectual property businesses, the business risks are lowered thanks to the diversification of business. With the support of our strong and healthy financial position, the Group will make continuous efforts to reinforce 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 my fellow colleagues for their faith, commitment, and hardworking 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, 22 September 2017

MANAGEMENT DISCUSSION & 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"); (iii) the provision of cold chain logistics services and value-added post-harvest food processing (the "Logistics Services Business") and (iv) other businesses primarily include securities brokerage business and intellectual property business (the "Other Business"). The first 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 performance was still sluggish, although some signs of recovery were seen in the second half of the financial year. China's GDP growth reached 6.7% in 2016 and recorded a modest rebound in the first two quarters in 2017 to 6.9%. The retail sales growth continuously lingered around 9%-11% during the financial year, which was still a period of low growth level over the past decade. The Manufacturing Purchasing Managers Index (PMI) was a mix of expansionary and contractionary signs during the financial year under review. Imports to China increased by 11% in July of 2017 from a year earlier, but it was the slowest growth in imports since December 2016, likely due to cooling domestic demand. All of these indicated that the overall economy has been stabilizing at a slow pace but sustainability was weak and the overall operating environment was still challenging and full of uncertainty. Worse still, the increase in Renminbi volatility further impeded the Group's trading business in China.

Against the backdrop of the above, the Group adopted various strategies to cope with the challenging environment. On top of the existing businesses, the Group has been actively seeking various investment opportunities to diversify business risks with an aim to generate a stable income stream and smoothing out the fluctuations in existing businesses that are highly correlated with Chinese consumer market. During the financial year under review, therefore, the Group acquired 100% interest in Sino Wealth Securities Limited ("Sino Wealth"), a company principally engaged in securities brokerage business, as well as acquired 100% interest in Moon Concept Limited ("Moon Concept") which owns the licensed rights to exploit all series and any types of "Ultraman" in organizing concert scaled live show presentation. The Group believes that the acquisitions could broaden the Group's revenue and earning sources, enhance its financial performance and generate synergies with the existing trading business in future. Furthermore, the Group consolidated the existing businesses and focused on the core and profitable businesses. For instance, while the Group continued to expand the product range of packaged foods, the trading business of cosmetics products has been substantially trimmed down during the financial year owing to intense competition, more resources could then be re-shifted to packaged foods trading. The Group also substantially trimmed down its developments in Jiangxi farming base and cold chain business, which could save large future capital commitment, but certain previous investments in relation to the farming and cold chain businesses such as prepaid land lease payments and construction in progress had to be impaired. Furthermore, the persistently weak performance in the Hong Kong retail market also led to an impairment loss on the investment in Waygood Investment Development Limited ("Waygood"), which indirectly owns Tsim Sha Tsui East-based department store, Tycoon City. On the other hand, the Group had reviewed and consolidated its logistics operations in Guangdong Province of China, resulting in the disposal of the logistics centre in Zhongshan during the financial year considering its financial benefits and the new operational capacity coming from the logistics centre in Huidong.

Despite making the above changes, the FMCG Trading Business was still the major core business and the Group will continue to focus on its development. During the financial year under review, although the revenue of the FMCG Trading Business decreased, this business unit remained as the most important revenue contributor which accounted for approximately 53% of the total revenues (FY2016: 52%). The weak macro economy and the resultant weak demand, fierce competition from domestic brands and Renminbi volatility were the major factors putting downward pressure on the FMCG Trading Business. The Group adopted various measures such as improving product-mix and seeking better discounts from suppliers to mitigate the negative impact from the above factors. On the other hand, the Group strived to improve its gross profit margin by rising selling prices for certain kinds of products in spite of the difficult environment, although sales volume was inevitably affected. In any event, the FMCG Trading Business will continue to be the most important business unit and the Group will constantly expand its development through strengthening product portfolio and cooperation with e-commerce operators. In the meantime, the Group will proactively seek synergies between the FMCG Trading Business and other new businesses such as the operations of intellectual properties and retailing business to stimulate its growth in near term. The revenue of the Agri-Products Business accounted for approximately 44% of the Group's total revenues, compared to 45% a year earlier. The decrease in the revenue of the Agri-Products Business, in particular the agri-products trading business, was mainly attributable to weak market demand and anti-extravagance atmosphere in China. The import costs also increased due to the unpredictable weather in some countries of origin of the Group's imported fruits, the Group correspondingly increased selling prices to maintain gross profit margin but sales volume was inevitably affected. Additionally, the streamlining and consolidation for the Group's logistics operations in southern China also temporarily affected the handling capacity and distribution process for imported fruits during the financial year. The Logistics Services Business was fairly stable and contributed approximately 3% of total revenue (FY2016: 3%) and the overall decline was broadly in line with the decrease in the other two trading businesses.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$1,223.9 million as compared to HK$1,366.3 million for FY2016, representing a fall of approximately 10.4%. The decline in revenue was mainly attributable to the decline in revenue of the FMCG Trading Business by approximately 9.5% and that of the Agri-Products Business by approximately 11.2% as a result of the weak market demand and keen competition. During the financial year under review, the Group increased selling prices for certain kinds of products in order to maintain gross profit margin also adversely impacted the overall sales volume and revenue level. Additionally, the unstable supply stemmed from the inclement weather in some countries of origin of the Group's imported fruits also hampered the sales performance and the Group had to reduce taking orders and in turn impacted the revenue of the agri-products trading business. A small revenue contribution from the Other Business was recorded during the financial year, which primarily represented the revenue deriving from securities brokerage business of Sino Wealth since the date of the acquisition.

Gross profit margin increased from approximately 10.4% to 11.0% compared to FY2016. The increase in gross profit margin was mainly attributable to the Group's flexible pricing strategies and the increase in selling prices for certain kind of products, despite the fact that the increase in Renminbi volatility gave rise to much difficulty in maintaining stable gross profit margin. On the other hand, the Group put great efforts in establishing intimate business relations with suppliers, by which the Group could bargain better discounts through negotiation and other means such as bulk purchases to lower cost of sales to minimize the impact from the rising trend in the overall import costs.

Selling and distribution expenses decreased by approximately 5.5% from approximately HK$85.1 million to approximately HK$80.5 million, representing approximately 6.6% of total revenue which was fairly stable compared to last year (FY2016: 6.2%). The decrease in selling and distribution expenses was mainly attributable to the Group's cost saving initiatives and decrease in sales activities. During the financial year, the Group reduced various expenses such as staff costs, sales commission and handling fees and hence selling and distribution expenses as a percentage of turnover remained stable although the Group continuously shifted focus to the FMCG Trading Business that would incur higher selling and promotion costs than other business units. 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 increased by approximately 8.5% from approximately HK$103.8 million to approximately HK$112.5 million. The increase was mainly attributable to the costs relating to the acquisition of new businesses such as professional fees as well as the recognition of share-based payment expenses in respect of the grant of share options during the financial year. Save for the abovementioned costs, the Group's cost saving initiatives indeed effectively reduced the administrative expenses, especially the downsizing on the farming operations, which had a relatively high portion of fixed administrative costs and many agri-related overheads such as rentals, day-to-day running and staff costs and depreciation expenses were saved.

Other gains and income decreased from approximately HK$37.5 million to approximately HK$10.1 million. The decrease in other gains and income was mainly attributable to the gain on disposal of certain shares of the Group's investment in China Zenith Chemical Group Limited, a company listed on the Stock Exchange, by approximately HK$30.8 million in previous year.

Other operating expenses increased from approximately HK$222.6 million (as restated) to approximately HK$390.1 million. The expenses mainly represented impairment losses and provisions for various assets, primarily relating to the upstream farming business, of approximately HK$276.7 million, impairment losses on investment in Waygood and goodwill, of approximately HK$44.5 million and HK$48.1 million respectively, provisions of approximately HK$5.1 million for trade and other receivables and written off of approximately HK$10.6 million for fixed assets, and a revaluation loss on building of approximately HK$3.5 million.

Finance costs for the financial year was approximately HK$0.2 million (FY2016: HK$0.5 million).

MANAGEMENT DISCUSSION & ANALYSIS

During the financial year under review, the Group recorded share of results of a joint venture of approximately HK$12.4 million (FY2016: HK$8.6 million), which represented the share of net loss of Waygood under equity accounting treatment. Further, there was a gain on disposal of subsidiaries of approximately HK$48.1 million, which was mainly derived from the gain on disposal of a wholly-owned subsidiary, Sino Combo International Limited, and its wholly-owned subsidiary, Jin Tao (Zhongshan) Fresh Produce Logistics Co., Ltd., which owned and operated the logistics centre in Zhongshan.

Net loss for the year ended 30 June 2017 was approximately HK$416.9 million (FY2016: HK$250.5 million as restated). The increase in the net loss was mainly attributable to a combination of approximately 10.4% decrease in turnover, approximately HK$27.4 million decrease in other gains and income, approximately 8.5% increase in administrative expenses, approximately HK$5.5 million increase in fair value loss of biological assets, approximately HK$167.4 million increase in other operating expenses, approximately HK$3.8 million increase in loss from share of results of a joint venture, and offset by approximately 0.6% increase in gross profit margin, approximately 5.5% decrease in selling and distribution expenses, and approximately HK$48.1 million gain on disposal of subsidiaries.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells finished FMCG products, 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$642.8 million in revenues to the Group for FY2017, decreased by approximately 9.5% from that contributed in FY2016. The decrease in revenues was primarily attributable to the persistently weak market demand, in particular the occurrence of several issues, such as policy uncertainty under a new president in the United States and the regional tensions in Korean Peninsula as well as the substantial depreciation of Renminbi and worries about capital outflows from China during the first half of the financial year, which continuously weakened consumer confidence. Although some signs of recovery have been seen since 2017, a full economic recovery may be slow to materialize, especially the overall retail sales growth figure persistently lingering around 9%-11% which was a low growth level over the past decade. Furthermore, the increase in Renminbi volatility and the rising trend in costs of imported products further undermined the Group's products' competitive edge against increased competition from domestic brands. The decrease in revenues was also partly caused by the cessation of cosmetics trading business during the financial year.

Notwithstanding the above, the Group's commitment in strengthening this business unit was unchanged. Apart from continuous efforts in enriching product portfolio in terms of geographic coverage and product categories as well as expanding sales channels including online platforms, the Group also proactively explored synergies between the FMCG Trading Business and other new businesses contemplated. In last financial year, the Group acquired 40.5% interest in Waygood, which indirectly owns Tsim Sha Tsui East-based department store, Tycoon City, where could be a new platform to increase brand awareness of the Group's finished FMCG products to China's customers through displaying and selling consumable products. In order to increase its footfall, a new strategic business partner who was well connected with tourist industry was introduced to invest in Tycoon City during the financial year, which decreased the Group's effective interest in Tycoon City to 20.25%. Although the operation of Tycoon City recorded a loss and an impairment loss on the investment in Waygood was recognized during the financial year due to a continued slowdown in growth of Mainland Chinese tourist spending, encouraging signs of stabilisation such as the rebound of tourist numbers have been seen during the last quarter of the financial year and the positive trend continued during the summer holidays of 2017. The Group is cautiously optimistic about the prospect of Tycoon City and believes it will continue to help promote the Group's FMCG products.

On 1 June 2017, the Group completed the acquisition of 100% interest in Moon Concept. Moon Concept owns the licensed rights to exploit all series and any types of "Ultraman" in organizing concert scaled live show presentation. The Group sees the acquisition was a strategic move by which not only attractive financial returns were expected from the live show presentations and relevant merchandise sales, but also further put forward the relationship between the Group and the business partner owning the intellectual properties of "Ultraman", which is one of the most reputable and recognized intellectual properties in Asia and worldwide. In view of the popularity of "Ultraman", the Group has been proactively negotiating with the business partner for other intellectual property rights of "Ultraman" adding to the Group's FMCG products.

MANAGEMENT DISCUSSION & ANALYSIS

Although the revenues of the FMCG Trading Business decreased by approximately 9.5%, the corresponding gross profit margin recorded a mild increase compared to last year thanks to the Group's efforts in improving gross profit margin by way of pursuing better product-mix and adopting flexible pricing strategies to increase prices for certain kinds of products. On the other hand, the entrenched relationship between the Group and the suppliers enabled us to negotiate for better discounts, in spite of the rising inflationary pressure on product materials. The Group will continue to strengthen the relationship and collaboration with the suppliers facing a macro environment fraught with uncertainties, in particular the increased volatility in different currencies making much more difficult in maintaining stable gross profit margins.

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%, 9%, 7%, 10% and 2%. 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. The contribution from other categories remained stable except cosmetics for which the Group decided to exit during the financial year. Chinese cosmetics market is arguably the most competitive given the large variety of domestic and international brands, huge advertising spending is thus required to maintain market share. Discontinuing cosmetics trading could save large advertising costs and re-shift focus to packaged foods. Furthermore, the trading business of cold chain products over coming years is expected to be challenging due to the keen competition and the increasingly complicated customs procedures, a certain amount of goodwill relating to cold chain products were impaired to reflect this during the financial year.

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 approximately HK$544.9 million for the FY2017, down approximately 11.2% as compared to approximately HK$613.8 million generated in FY2016. The decrease in revenue was primarily attributable to the weak market demand for imported fruits as a result of the persistent anti-extravagance atmosphere. Furthermore, the unstable supply and the streamlining and consolidation for the Group's logistics operations in southern China also affected the sales volume of imported fruits.

Agri-Products Trading Business

The weak consumer confidence and anti-extravagance atmosphere continuously affected the performance of the agri-products trading business. On the other hand, the supply stability was affected by the unexpectedly unstable and inclement weather in some countries of origin of the Group's imported fruits, the Group had to adopt a more conservative approach to take orders only when the product supply was assured. Correspondingly, the Group managed to broadly increase selling prices for imported products by virtue of the increased import costs due to the unstable supply and the high service standards provided to customers to mitigate the impact from the decrease in sales volume. As a result, although the revenue of the agri-products trading business recorded a double digit decline, the gross profit dropped much lesser extent compared to last year.

Furthermore, the Group underwent consolidation works to streamline the operations in southern China, where possessed two logistics centres located in Zhongshan and Huidong. Considering the financial benefit of the disposal of the Zhongshan logistics centre, the Group decided to gradually transfer operations of food processing and warehouse storage to the newly leased storage premise close to the Zhongshan logistics centre for existing customers in the vicinity area and the Huidong logistics centre for other customers.

Upstream Farming Business

During the financial year under review, the Group continued to carefully operate in the plantations of early crop oranges and ponkans in the Jiangxi's farming base. The development in the Jiangxi's farming base was in tandem with the market demand which was persistently weak. As the capital commitment drew closer, the Group decided to abandon its new developments to avoid large capital expenditures. As a result, there was a substantial impairment loss relating to the previous investments in the Jiangxi's farming base such as the prepaid land lease payments, fixed assets, construction in progress and plantation costs for its infrastructure due to the abandonment of its development. Notwithstanding the above, during the financial year, the upstream farming business recorded stable revenue contribution compared to last year for its existing operations. Inclement weather, rising labour costs, weak market demand and declining selling price remained as the major downside risks and persistently affected the revenue and the gross profit margin of this business unit. The Group will continue to enhance its performance by expanding distribution channels including explore of exporting our self-grown agricultural products to overseas markets and seeking collaboration with domestic organisations and farmers to lease out certain area of unused arable lands for their operations, as well as partnering with several domestic research faculties to improve agricultural skills and technology.

MANAGEMENT DISCUSSION & 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$34.7 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. As aforesaid, the Group has transferred the food processing, warehouse storage and other third-party logistics operations to the leased storage premise in Zhongshan and the Huidong logistics centre. The transitional works were smooth and the logistics operations in southern China will be under close scrutiny over coming year.

Other Business

On 11 January 2017, the Company issued 900,348,091 ordinary shares, on the basis of one rights share for every one share held, to the shareholders of the Company at a subscription price of HK$0.24 per share through a rights issue. The net proceeds of approximately HK$207.3 million were intended to inject into the brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients and lending business.

On 10 March 2017, the Group completed the acquisition of Sino Wealth which is principally engaged in securities brokerage business. This business unit has contributed trivial revenue since the date of acquisition and is expected to play a more important role over coming years. As aforesaid, one of the Group's core strategies is to diversify its businesses to broaden revenue and earning sources and smooth out the fluctuations in the traditional trading business that is highly correlated to Chinese consumer market. Investing in the business of Hong Kong financial services industry could provide stable commission revenues and be of room for further development in margin clients and lending business.

On 1 June 2017, the Group completed the acquisition of 100% interest in Moon Concept which is principally engaged in organizing concert scaled live show presentation in event halls with the rights to use the intellectual properties of the famous Japanese comic character "Ultraman" in the region of Hong Kong, Macau and Taiwan. During the financial year, there was no revenue contribution from the intellectual property business since the date of the acquisition. The first live show was held in Macau in August subsequent to the financial year and the second show is planned to be performed in Taipei in coming December. The live show held in Macau was severely impacted by Typhoon Hato, a certain amount of goodwill of approximately HK$18.3 million relating to the intellectual property rights has been impaired to reflect the resultant loss.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors are crucial for the results and business operations of the Group, some of which are inherent to FMCG Trading Business, Agri-Products Business, Logistics Services Business and Other Business and some are from external macro-environment. The major principal risks and uncertainties are summarized as follows:

1) Economic and Financial Market Volatility

The Group's trading businesses and the relevant logistics business are impacted by fluctuations in the global economy and financial market, particularly those in China. The decline in Chinese economic growth inevitably affected the level of disposable income and consumer confidence, and hence weighing on the demand on the Group's products and revenues. Therefore, if there is any significant financial volatility and economic setback, the Group's operations and financial performance may be adversely affected. The economic risks may result in financial market turbulence, market disruption and a slowdown in consumer spending, which may severely affect the operation of the securities brokerage business and the box office of the live shows of the intellectual property business.

2) Increasing Market Competition

The industries in which the Group operates in China are highly competitive. The Group's competitiveness is its product differentiation by providing high quality imported products at reasonable prices. However, the Group's competitiveness may be weakening in light of increasing market competition arising from the improvement of domestic product quality and the higher penetration of cross-border internet shopping. The Hong Kong financial industry is also a highly competitive market and the Group cannot warrant to maintain existing client base or not to engage in price competition.

MANAGEMENT DISCUSSION & ANALYSIS

3) **Supply Chain Risk**

The Group sources products from a number of overseas suppliers. The cooperation is based on well-entrenched relationship and fair terms of trade between the Group and suppliers. However, the Group cannot warrant that the relationship with each supplier will remain unchanged, in the event the Group is unable to reach agreement upon reasonable terms with any suppliers and cannot find suitable substitute suppliers, the Group's operations may be affected.

4) **Inclement Weather Condition**

The Group's upstream farming business is highly dependent on the weather condition. Inclement weather condition will inevitably damage the level of crop productivity and thus the revenues of the upstream farming business. Furthermore, the climate conditions of the areas where the suppliers for the Group's agri-products trading business are located could also severely affect the stability of product supply. For extremely inclement weather condition, the live shows of the intellectual property business could also be seriously affected.

5) **Financial Risk**

The Group is exposed to various financial risks, including but not limited to, interest rate risk, currency risk, credit default risk, liquidity risk and policy risk. While the Group actively monitors these risks and adopts risk management measures to mitigate the potential adverse effects that could be derived from these risks, the Group cannot warrant that these risks can be fully hedged and the Group may suffer when unexpected financial events occur.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group devotes much attention to environmental protection and be committed to promoting environment-friendly behaviours in the course of business activities. The Group implemented different measures and set out guidelines for saving electricity, water and other precious resources and encouraged recycle of office supplies and other materials. The Group also operated major logistics centres and facilities in strict compliance with the relevant environmental regulations and internationally recognized standards.

KEY RELATIONSHIP

The Group's success highly depends on the support from key relationships with employees, suppliers and customers. The Group understands the importance of maintaining a good relationship with them to achieve its immediate and long-term business goals.

The Group is continuously offering training and encouraging continuing education for our employees. Meanwhile, the Group recognises the value of its key personnel in maintaining team morale and competitiveness. Both internal promotion and external recruitment are applied to select and promote top employees for vacant positions and attract qualified candidates to join the Group.

The Group cooperates with a number of suppliers based on long term relationships. The Group emphasises on the communication with suppliers and timely keeps them abreast of market trend in China's consumer market. The Group also provides value-added and tailor-made services to our suppliers to increase their stickiness.

The Group's customers include wholesalers, on-premise customers, e-commerce operators and securities investors. The Group's most important mission is to deliver high quality, safe and niche products to our customers. The Group continuously conducts market research and expands various communication channels to understand customers' needs.

During FY2017, there was no material and significant dispute between the Group and its employees, suppliers and customers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2017, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

MANAGEMENT DISCUSSION & ANALYSIS

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 11 January 2017, the Company issued 900,348,091 ordinary shares, on the basis of one rights share for every one share held, to the shareholders of the Company at a subscription price of HK$0.24 per share through a rights issue. The net proceeds of approximately HK$207.3 million were intended to inject into the brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients and lending business.

At 30 June 2017, the Group had interest-bearing borrowings of approximately HK$33.3 million (30 June 2016: HK$61.3 million) of which all borrowings were denominated in Hong Kong dollars and 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 available-for-sale financial assets of a subsidiary in carrying amount of approximately HK$34.1 million (30 June 2016: HK$44.2 million).

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. During the financial year under review, the Group experienced a high volatility in Renminbi, which resulted in an exchange loss of approximately HK$1.6 million. The Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 30 June 2017, the Group did not have any significant hedging instrument outstanding.

At 30 June 2017, the Group's current assets amounted to approximately HK$1,612.7 million (30 June 2016: HK$1,290.8 million as restated) and the Group's current liabilities amounted to approximately HK$350.7 million (30 June 2016: HK$197.6 million). The Group's current ratio maintained to a level of approximately 4.6 at 30 June 2017 (30 June 2016: 6.5). At 30 June 2017, the Group had total assets of approximately HK$2,621.6 million (30 June 2016: HK$2,736.3 million as restated) and total liabilities of approximately HK$365.8 million (30 June 2016: HK$204.2 million) with a gearing ratio of approximately 1.3% (30 June 2016: 2.2% as restated). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The improvement in gearing ratio was mainly attributable to the decrease in bank borrowing level for the year.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2017, the Group had approximately 470 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. As at the date of this report, a total of 119,620,440 share options remain unexercised.

DEVELOPMENT AND PROSPECTS

The operating environment was still very challenging during the financial year. On the external front, although some signs of recovery have been seen, China's macroeconomic growth was still weak. Some central banks in major nations kick-started contractionary measures which may cast a negative outlook over the global financial stability. On the internal front, the Group has been undergoing extensive business transformation over past few years in order to mitigate the negative impact from the previous capital investments for the upstream farming business. In such a massive transformation in scale and short time frame, some financial pain was inevitable in return for long term sustainability.

MANAGEMENT DISCUSSION & ANALYSIS

In view of the high correlation between the Group's traditional trading businesses and the Chinese consumer and retail market, the Group's financial performance would be significantly impacted if the Chinese consumer market continues to soften. Therefore, diversification of business has been one of the Group's core strategies. During the financial year, the Group acquired Moon Concept which owns the licensed rights of "Ultraman" in organizing concert scaled live show presentation. The Group believes the acquisition was a financially attractive opportunity to seek another source of revenues on top of the traditional businesses, especially "Ultraman" is one of the most famous intellectual properties in Asia and worldwide. The first live show was held in Macau in August, but an extensive damage in Macau caused by Typhoon Hato adversely affected the event. The performance period was shortened and the number of audiences was also affected. Although there was a hiccup for the first live show, the Group believes its financial viability remains intact and the next show is being arranged in Taipei, which will be performed in coming December. More importantly, the acquisition of Moon Concept connects the Group with the business partner owning the intellectual property rights of "Ultraman". The Group has already negotiated with this business partner as regards strengthening collaboration in exploiting the intellectual properties of "Ultraman" into the Group's FMCG products, in hope of increasing brand awareness for the Group's products by leveraging on the popularity of "Ultraman". The Group will proactively seek cooperation with other intellectual property rights owners and target to boost the competitiveness of the Group's FMCG products riding on certain recognized and well-known intellectual properties.

The Group also acquired Sino Wealth which is principally engaged in securities brokerage business in Hong Kong. The Group sees this acquisition as a good opportunity to tap into the financial services industry in Hong Kong for diversification of its businesses. In view of the uptrend in the Hong Kong stock market since 2017, the securities brokerage business is expected to benefit. Additionally, the potential of developing margin clients and lending business has been being explored and all necessary procedures have been executed on schedule.

For the traditional trading businesses including the FMCG Trading Business and the agri-products trading business, the Group will continue to reinforce their operations. In addition to jointly develop the FMCG Trading Business and the intellectual property business as mentioned above, the Group will continue to expand its procurement network and product portfolio. After the disposal of the logistics centre in Zhongshan, the Group will carefully monitor the transition process of transferring food-processing, warehouse storage and third party logistics to the newly leased premise in Zhongshan and the logistics centre in Huidong.

Although the financial results were hindered by the extensive business transformation over past few years, the Group's efforts in cost cutting and gross profit margin improvement have already gained traction as evidenced by the fact that gross profit margin has been improving and recurring expenses have been shrinking for consecutive years. The Group will keep working hard on these and strive to broaden revenue stream to improve the financial performance. Meanwhile, the Group will consistently maintain a healthy and strong financial position and adopt a conservative approach towards capital investments to weather any unexpected headwinds under such fluctuating operating environment.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, *Chairman, Managing Director, Executive Director and Chief Executive Officer*
Mr. Lam Kwok Hing, aged 61, 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 holds 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, a 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 57, has been appointed the Executive Director since April 2001 and holds certain directorships in the subsidiaries of the Company. Ms. Lee is responsible for the general administration and management of the Group. She has over 20 years' 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 51, 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 25 years' 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 57, 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. She is also a Senior Accountant granted by Shanghai Expertise Qualification Review Committee, Accounting Series. Ms. Gao has over 25 years' 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.

Mr. Chan Cheuk Yu Stephen, *Executive Director*
Mr. Chan Cheuk Yu Stephen, aged 40, has been appointed the Executive Director since February 2017 and holds certain directorships in the subsidiaries of the Company. Mr. Chan received his Bachelor's degree with first honour in Financial Economics from Coventry University, UK and a Master's degree in Finance from University of London, Imperial College of Science, Technology and Medicine. He was an executive director of the institutional sales of a reputable brokerage firm immediately prior to joining the Company and has more than 12 years' experience in investment banking, securities, IPOs, corporate actions and derivatives. Mr. Chan is also a director of Glazy Target Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Mak Yun Chu, *Independent Non-executive Director*
Ms. Mak Yun Chu, aged 59, has been appointed the Independent Non-executive Director since April 2004. She is also 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 20 years' experience in accounting and administration. Ms. Mak is also an independent non-executive director of UKF (Holdings) Limited since March 2016, a company listed on the Main Board of the Stock Exchange. She was an independent non-executive director of Wealth Glory Holdings Limited from September 2010 to November 2013, a company listed on the Growth Enterprise Market Board of the Stock Exchange.

Mr. Poon Yiu Cheung Newman, *Independent Non-executive Director*
Mr. Poon Yiu Cheung Newman, aged 63, has been appointed the Independent Non-executive Director since November 2003. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Poon received his Bachelor of Arts Degree, majoring in accounting and economics from the University of Alberta in Canada. Mr. Poon was a senior executive in a multinational insurance company and now holds a senior accounting position in a renowned hotel and has over 30 years' experience in insurance and accounting.

Mr. Hung Hing Man, *Independent Non-executive Director*
Mr. Hung Hing Man, aged 47, has been appointed the Independent Non-executive Director since February 2017. He is also a member of the Audit Committee of the Company. Mr. Hung received his master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung is also an independent non-executive director of China Information Technology Development Limited since April 2015, a company listed on the Growth Enterprise Market Board of the Stock Exchange. He was an independent non-executive director of Ping An Securities Group (Holdings) Limited (former name: Madex International (Holdings) Limited) from September 2009 to November 2015 and China Baoli Technologies Holdings Limited (former name: REX Global Entertainment Holdings Limited) from March 2009 to September 2015, both listed on the Main Board of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Wong Siu Hong, *Chief Financial Officer and Company Secretary*
Mr. Wong Siu Hong, aged 49, 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 20 years' 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 40, 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' 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 64, joined the Group in September 1995 and is currently the General Manager, overseeing the Fresh Produce Division of the Group. Mr. Wong has over 30 years' 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 the newly leased premise in 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 62, 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 25 years' 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 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 43 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 2017 are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 37 and 38.

The state of affairs of the Group as at 30 June 2017 are set out in the Consolidated Statement of Financial Position on pages 39 and 40.

RESERVES

The movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 41. The movements in the reserves of the Company are set out in note 36(b) 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 2017 (2016: HK$ Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the consolidated financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2017, reserves of the Company available for distribution to the shareholders of the Company were approximately HK$2,066,194,000 (2016: HK$2,402,575,000). 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$2,416,774,000 (2016: HK$2,299,627,000) 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
Mr. Chan Cheuk Yu Stephen *(appointed on 6 February 2017)*

Non-executive Director

Ms. Chan Yuk Foebe *(retired on 21 December 2016)*

Independent Non-executive Directors

Mr. John Handley *(resigned on 28 February 2017)*
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman
Mr. Hung Hing Man *(appointed on 20 February 2017)*

In accordance with the articles of association of the Company, Ms. Lee Choi Lin Joecy, 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 the relevant Directors for the respective financial year ended 30 June 2017 and 2016 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.

DIRECTORS' REPORT

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 2017, 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/nature 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	275,078,914	15.28%
Ms. Lee Choi Lin Joecy ("Ms. Lee")	1	Interest in controlled corporation and family interest	275,078,914	15.28%
Mr. Chan Cheuk Yu Stephen ("Mr. Chan")	2	Beneficial owner and interest in controlled corporation	521,955,073	28.99%
Ms. Hung Sau Yung Rebecca	3	Beneficial owner	3,120,000	0.17%
Ms. Gao Qin Jian	3	Beneficial owner	3,120,000	0.17%
Ms. Mak Yun Chu	3	Beneficial owner	2,080,000	0.12%
Mr. Poon Yiu Cheung Newman	3	Beneficial owner	1,560,000	0.09%

Notes:

1. 217,961,128 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 57,117,786 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 275,078,914 shares.

2. Out of 521,955,073 shares in interest by Mr. Chan, 389,090,895 shares are held by Mr. Chan himself and 132,864,178 shares are held by Glazy Target Limited ("Glazy Target"), a company incorporated in the BVI wholly and beneficially owned by Mr. Chan.

3. 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 37 to the consolidated financial statements.

Save as disclosed above, as at 30 June 2017, 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' 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.

DIRECTORS' REPORT

SHARE OPTIONS

Particulars of the share option scheme of the Company are set out in note 37 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2017, 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/nature of interests**	**Number of shares in interest**	**Approximate percentage of the issued shares**
Best Global	1	Beneficial owner	217,961,128	12.10%
Mr. Chan	2	Beneficial owner and interest in controlled corporation	521,955,073	28.99%
Glazy Target	2	Beneficial owner	132,864,178	7.38%

Notes:

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

2. These shares are in duplicate the interests held by Mr. Chan as stated in section "Directors' Interests in Securities".

Save as disclosed above, as at 30 June 2017, 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.

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 37 to the consolidated financial statements.

DIRECTORS' REPORT

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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, all the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, cost, charges, losses, damages and expenses which they shall or may incur or sustain. In addition, the Company has arranged for appropriate Directors and officers liability insurance throughout the year to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities.

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

Throughout the financial year ended 30 June 2017, 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 116.

BUSINESS REVIEW

Details of business review during the financial year are set out in the section titled "Management Discussion And Analysis" on pages 6 to 13 of this annual report.

CORPORATE GOVERNANCE REPORT

Details of the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 21 to 27.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules and details are set out in the section titled "Environmental, Social and Governance Report" on pages 28 to 31 of this annual report.

INDEPENDENT AUDITOR

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

By order of the Board
LAM Kwok Hing
Chairman

Hong Kong, 22 September 2017

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 2017, 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") asset 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 2017.

BOARD OF DIRECTORS

During the year ended 30 June 2017, 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
Mr. Chan Cheuk Yu Stephen *(appointed on 6 February 2017)*

Non-executive Director

Ms. Chan Yuk Foebe *(retired on 21 December 2016)*

Independent Non-executive Directors

Mr. John Handley *(resigned on 28 February 2017)*
Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman
Mr. Hung Hing Man *(appointed on 20 February 2017)*

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.

CORPORATE GOVERNANCE REPORT

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 transactions, 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.

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 2017, 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 30 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 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 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 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, each of their further appointment as an Independent Non-executive Director shall be subject to a separate resolution to be approved by shareholders in general meeting.

All 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 2017 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	20/20	N/A	3/3	3/3	3/3
Ms. Lee Choi Lin Joecy	20/20	N/A	N/A	N/A	1/3
Ms. Hung Sau Yung Rebecca	20/20	N/A	N/A	N/A	3/3
Ms. Gao Qin Jian	20/20	N/A	N/A	N/A	1/3
Mr. Chan Cheuk Yu Stephen *(appointed on 6 February 2017)*	9/9	N/A	N/A	N/A	1/1
Non-executive Director					
Ms. Chan Yuk Foebe *(retired on 21 December 2016)*	0/7	0/1	N/A	N/A	0/2
Independent Non-executive Directors					
Mr. John Handley *(resigned on 28 February 2017)*	13/13	N/A	N/A	N/A	1/2
Ms. Mak Yun Chu	20/20	2/2	3/3	3/3	2/3
Mr. Poon Yiu Cheung Newman	20/20	2/2	3/3	3/3	3/3
Mr. Hung Hing Man *(appointed on 20 February 2017)*	8/8	1/1	N/A	N/A	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.

Ms. Chan Yuk Foebe ("Ms. Chan") did not attend the extraordinary general meeting held on 23 November 2016 and the annual general meeting held on 21 December 2016 (the "AGM") due to her other business engagements. Ms. Chan was not re-elected during the AGM and has retired from the office of non-executive director and member of the Audit Committee of the Company immediately followed the close of the AGM.

Mr. John Handley ("Mr. Handley") did not attend the extraordinary general meeting held on 23 November 2016 due to his other business engagements. Mr. Handley resigned as an independent non-executive director on 28 February 2017 in view of his age and health related reasons.

Ms. Mak Yun Chu, the independent non-executive director, did not attend the extraordinary general meeting held on 16 March 2017 due to her other business engagement. However, all Directors, including independent non-executive directors, who did not attend the general meetings were subsequently reported on the proceedings and views of shareholders on the meetings respectively. As such, the Board considers that a balanced understanding of the views of shareholders among Directors was ensured.

CORPORATE GOVERNANCE REPORT

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 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 shareholder's 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 confirm that he has taken not less than 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 *(retired on 21 December 2016)*
Mr. Hung Hing Man, Independent Non-executive Director *(appointed on 20 February 2017)*

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 2017, the Audit Committee held 2 meetings with 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 reviewing the interim and annual consolidated financial statements of the Group. Ms. Chan Yuk, Foebe did not attend the Audit Committee meeting held on 30 September 2016 due to other business engagement and she was subsequently retired as a member of the Audit Committee on 21 December 2016. Mr. Hung Hing Man was appointed on 20 February 2017 as a member of Audit Committee and all committee members attended the Audit Committee meeting on 28 February 2017.

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2016 have been reviewed and approved by the Audit Committee. For the financial year ended 30 June 2017, 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 3 meetings with all committee members attended during the financial year ended 30 June 2017, for determining the remuneration package of the newly appointed Directors, 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 2017 is set out below:

Remuneration Bands (HK$)	**Number of individuals**
Nil to 1,000,000	1
1,000,001 – 1,500,000	2
1,500,001 – 2,000,000	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 2017, the Nomination Committee held 3 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 aiming at setting out the approach on diversity of the Board. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. In designing the Board's composition, the Nomination Committee will consider 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 Board has overall responsibilities 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 and has been reported to the Audit Committee. The Company considered the internal control and risk management systems effective and adequate. The Directors shall, where necessary, initiate appropriate procedures to improve and reinforce the internal control system.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company recognizes the importance of good communication with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through financial reports, announcements and circulars of the Company. 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

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

For share registration related matters, please contact Union Registrars Limited at (852) 2849 3399, the branch share registrar and transfer office of the Company in Hong Kong.

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.

CONSTITUTIONAL DOCUMENTS

During the financial year ended 30 June 2017, a conformed copy of the memorandum and articles of association of the Company was posted for viewing on the websites of the Company and the Stock Exchange in November 2016 with updated authorised share capital 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 2017 is as follows:

Services rendered

	2017 **HK$'000**	2016 HK$'000
Audit service	**2,391**	2,171
Audit service under-provided in prior year	**16**	50
Non-audit services	**385**	180
	2,792	2,401

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 from pages 32 to 36.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group always puts emphasis on our relationships with different stakeholders including employees, suppliers, customers and investors by implementing a sustainable business model, which comprises the provision of high quality and safe foods, the establishment of an integrated supply chain system and the promotion of a family-like corporate culture. The Group also shoulders its social responsibility by taking on various measures such as energy saving initiatives and participation into public welfare activities.

The Company prepared its 2017 Environmental, Social and Governance Report in accordance with the requirements of "Environmental, Social and Governance Reporting Guide" set out in the Appendix 27 of the Listing Rules, covers the period from 1 July 2016 to 30 June 2017. This report outlines the Group's philosophy and practice for sustainable development and social responsibility, from environmental and social perspectives.

A. ENVIRONMENTAL

The Group's commitment to environment friendly operations is one of core philosophies. The Group's internal operational guidelines firmly comply with the Environmental Protection Law of the People's Republic of China and other applicable international standards to facilitate environmental protection, pollution prevention and efficiency of resource use. Furthermore, an environmental impact assessment shall be conducted for every new construction and expansion based on the standards set out by the government in order to minimize the negative impact on the environment near the Group's new developments.

Emissions

The major air emissions discharged by the Group are the waste gas generated from its truck fleet and the energy consumption arising from logistics facilities. The Group strictly abides by the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution to reduce greenhouse gas emissions. The Group advocates the use of natural gas at its major operational offices and premises to reduce emissions. On the other hand, when the Group purchases new vehicles and trucks, the level of energy efficiency and less harmful impacts to the environment are the most important factor in determining the procurement policy.

For sewage discharge, the Group's operations strictly comply with the Water Pollution Prevention and Control Law of the People's Republic of China and other local wastewater quality standards. Sewage would be treated to reach the discharge standard and then discharged into sewage pipe network. The Group's dedicated maintenance team conducts regular investigation to ensure the sewage treatment facilities are in good condition and the wastewater meets the emission standards. On the other hand, the Group adopts active measures to reduce water consumption such as prominently displaying promotion of water conservation and using sensor water taps.

The Group's operations do not generate hazardous waste, but the Group also has formulated management system for harmless waste handling, which is strictly in compliance with the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste. The harmless wastes produced by the Group are mainly office garbage and general warehouse wastes, which would be collected by qualified third parties for disposal. In order to minimize waste volume, the Group implements various measures for recycling and conserving resources, particularly for the consumption of packaging materials and office paper.

Use of Resources

The Group is dedicated to making every effort to improve energy efficiency and recycling of resources. While strictly complying with the "Energy Conservation Law of the People's Republic of China" for its operations, the Group also proactively encourages employees to participate in energy saving and recycling initiatives.

The Group adopts a number of measures to increase energy efficiency. One of the initiatives is to replace traditional lighting facilities with LED lights, which would reduce electricity consumption while maintaining effective illumination. Furthermore, the Group adopts a stringent energy saving scheme by controlling air-conditioning level and the utilization of electrical equipment. The Group would set annual energy conservation target and carry out supervision and inspection on various energy conservation works in order to achieve the target.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

For water conservation, the Group strictly abides by the Water Law of the People's Republic of China and adopts various measures to reduce water consumption. The Group regularly inspects the water supply system such as pipelines and pumps in order to ensure the water supply is in good condition and prevent leakage. Furthermore, the Group's continuous promotion for water conservation and installation of sensor water taps also effectively reduce water consumption.

The Group also attaches importance to conservation for other resources such as paper and warehouse materials. A paper free office practice is always advocated by means of simplifying paper documentation and using electronic means to greatest extent. Other measures such as double-sided printing and use of recycled papers are also implemented to reduce paper waste. On the other hand, the Group also proactively advocates recycling and green operations in its warehouse and logistics depots. The materials such as pallets and crates are regularly counted to minimize waste, aged wooden pallets are collected regularly for recycling purpose. Other recycled waste, mainly redundant printed material and some cardboard, is compacted onsite for collection by qualified third party for recycling.

Environment and Natural Resources

The Group's principal businesses neither have significant impacts on the environment and natural resources nor generate heavy pollution.

B. SOCIAL

The Group considers building a harmonious and motivating work environment is a key factor for sustainable development. The Group is committed to provide an equal platform for recruitment, learning and development of employees with an aim to establish good labour relations and attract talents to work for the Group. These commitments are set out in Group's employee manual which has been effectively implementing.

Employment

The Group's employee manual and policies are in compliance with the requirements under the applicable laws and regulations, whereby the Group strictly abides by the Labor Law of the People's Republic of China and the Labour Contract law of the People's Republic of China that are the relevant laws for the Group's employees recruited in China. The Group provides a fair and equal recruitment process with which the selection process is solely based on candidates' work experience, academic qualifications, personal achievements and individual capability. Other factors like race, gender, age and religious belief are not used and considered for recruitment selection.

The remuneration package is in strict accordance with relevant regulations and requirements in respect of work hour, minimum wage standard and required insurances and welfare benefits. The salary levels are determined based on position levels, job nature and the comparable market rate for similar position. The Group also adopts a transparent promotion system which is based on the employees' past performance, experience and relevant qualifications. All employees are entitled to equal opportunities and fair treatment for their career development.

Health and Safety

As one of the most important assets, the Group put top priority on employees' health and safety. The Group strictly abides by all relevant laws and regulations in respect of work safety and is committed to providing a healthy and safe working environment for employees.

The Group has developed a comprehensive internal operational manual to set out health and safety-related guidelines which is regularly reviewed and promoted to relevant employees. In addition to the internal operational manual, the Group thoroughly identifies the risky areas in the existing workplaces and implements measures such as regular investigation into firefighting and electricity supply system to reduce risks. The Group also organizes different events, trainings and drills to educate employees increasing their safety-consciousness and encouraging proper safety procedures.

The Group also offers annual body check-ups for some of our employees who may expose to work-related health hazards and follows up any problematic case.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Development and Training

The Group is providing a harmonious and people-oriented working environment. The Group considerably cares employees' career development and invests many resources in this area.

The Group provides various trainings to employees including but not limited to induction training, professional training courses conducted by external experts, on-the-job training provided by department heads and sponsorship program for position-related self-education and professional qualification.

The Group has also established a transparent appraisal and promotion system to incentivize employees to develop themselves in accordance with the Group's expectations and needs. The Group's senior management and department heads are required to have efficient communication with employees and give timely feedback and counselling for employees' work performance.

The Group encourages work-life balance for all of its employees in parallel with their career development. Therefore, the Group organizes different activities such as sport day, group tour and offsite training to reduce employees' work pressure and cultivate teamwork spirit among them on regular basis.

Labour Standards

The Group strictly complies with the laws and regulations such as relevant provisions as stated in the Labour Law of the People's Republic of China and the Labour Contract Law of the People's Republic of China, child labour or forced labour is prohibited.

Supply Chain Management

The Group implements stringent selection process for suppliers in order to ensure product quality. For new suppliers, the Group conducts in-depth research and assessment, in particular on suppliers' history, reputation, product quality control and performance in corporate social responsibility. The Group only starts business relationship with suppliers who possess applicable business and food safety licenses in their countries. For qualified suppliers with whom the Group has business relationship, the Group conducts annual review over their performance and maintains efficient communication channels with them in regard to the Group's latest requirements. The communication channels include regular telephone conferences and meetings, and on-site assessment to understand the suppliers' operational standard.

Product Responsibility

As a conscientious food trading company in China, the Group always upholds the principle of delivering safe and quality products to customers. The Group is in strict compliance with relevant laws and regulations for food safety such as the Food Safety Law of the People's Republic of China and the Product Quality Law of the People's Republic of China. A comprehensive quality control system has been established with a dedicated team responsible for execution and inspection. In order to ensure the quality control is up to standard, the Group also adheres to the international standards such as ISO9001 quality control system, HACCP system and ISO22000 food safety management system for its operations.

Additionally, the Group attaches great importance to customers' feedback and promotes real-time response to product complaints. A dedicated customer service team has been set up to provide speedy response to customers' inquiries and complaints. The Group would take remedial measures for product complaints as soon as practicable and conduct in-depth investigation to identify the problems with an aim to formulate preventive measures and improve customer satisfaction level.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group adopts a rigorous review procedure for product labels in order to give precise and transparent information to customers. The Group has established a cross-department team to review label contents and ensure all information presented is accurate and complies with the relevant laws and regulations and food safety standards such as the GB7718 National Food Safety Standard – General Rules for Labeling of Prepackaged Foods and GB28050 National Food Safety Standard – General Rules for Nutrition Labeling of Prepackaged Foods.

Anti-Corruption

The Group strictly prohibits any corruption and bribery and adheres to the provisions of the laws and regulations for all business activities. The thorough internal procurement policy prevents employees from seeking personal gain and abusing of power during selection and tender process. The Group has also established a supervisory and reporting mechanism through which employees can flag up any anomalies in the course of businesses. The Group's management will launch investigation after the complaints are verified.

To promote probity culture within the Group, some seminars and trainings related to anti-corruption are held regularly for employees and enhance their awareness against corruption and bribery as well as any unfair competition activities.

Community Investment

The Group has participated in a number of charity activities and always encourages employees to care people in needed and participate in volunteer works, such as visiting and presenting gifts to elderly and homeless people in nursing homes.

INDEPENDENT AUDITOR'S REPORT

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

OPINION

We have audited the consolidated financial statements of Heng Tai Consumables Group Limited and its subsidiaries (the "Group") set out on pages 37 to 115, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment assessment of goodwill

2. Impairment assessment of agri-products business segment assets

3. Impairment assessment of logistics services business segment assets

4. Impairment assessment of investment in a joint venture

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment of goodwill	
Refer to notes 5(d) and 20 to the consolidated financial statements. The Group has goodwill attributable to (1) provision of securities dealing services cash-generating unit ("CGU"); (2) organisation of concert scaled live show presentation CGU; and (3) distribution of cold chain products CGU with carrying amounts totalled approximately HK$213 million before recognition of impairment losses as at 30 June 2017. Goodwill is tested for impairment annually. The recoverable amount of each CGU was based on a calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement. Impairment losses of approximately HK$30 million were made for goodwill on the distribution of cold chain products CGU and approximately HK$18 million was made on the organisation of concert scaled live show presentation CGU to reduce their carrying amounts to their recoverable amounts.	Our procedures in relation to management's impairment assessment included: • Assessing the integrity of the valuation model; • Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business; • Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and • Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.
2. Impairment assessment of agri-products business segment assets	
Refer to notes 5(e) and 9 to the consolidated financial statements. The Group has segment assets attributable to the cultivation, sale and trading of agri-products business segment with total carrying amounts of approximately HK$911 million before recognition of impairment losses as at 30 June 2017. During the year, the agri-products business incurred a segment loss which increases the risk that its segment assets may be impaired. The recoverable amount of the agri-products business segment assets was based on a calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement. Total impairment losses of approximately HK$38 million on the agri-products business segment assets, as refer to note 16 to the consolidated financial statements, were made to reduce their carrying amounts to their recoverable amounts.	Our procedures in relation to management's impairment assessment included: • Assessing the integrity of the valuation model; • Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business; • Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and • Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter *(Continued)*

3. Impairment assessment of logistics services business segment assets

Refer to notes 5(e) and 9 to the consolidated financial statements.

The Group has segment assets attributable to the logistics services business segment with total carrying amounts of approximately HK$228 million before recognition of impairment losses as at 30 June 2017.

During the year, there was a decline in the revenue of the logistics services business segment, which increases the risk that its segment assets may be impaired.

The recoverable amount of the logistics services business segment assets was based on a calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement.

How our audit addressed the Key Audit Matter *(Continued)*

Our procedures in relation to management's impairment assessment included:

- Assessing the integrity of the valuation model;
- Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business;
- Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and
- Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.

4. Impairment assessment of investment in a joint venture

Refer to notes 5(e) and 23, to the consolidated financial statements.

The Group has 50% equity interest in a joint venture, Waygood Investment Development Limited ("Waygood"), which is accounted for under the equity method. The Group's share of loss from Waygood for the year was approximately HK$12 million and the carrying amount of investment in Waygood before recognition of impairment losses was approximately HK$61 million as at 30 June 2017.

During the year, there was a decline in the revenue of Waygood and losses were incurred for the past two years, which increases the risk that the carrying amount of investment in Waygood may be impaired.

The recoverable amount of investment in Waygood was based on a calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement.

An impairment loss of approximately HK$44 million was made to reduce its carrying amount to its recoverable amount.

Our procedures in relation to management's impairment assessment included:

- Assessing the integrity of the valuation model;
- Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business;
- Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and
- Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants
Hong Kong
22 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

	Note	2017 HK$'000	2016 HK$'000 (Restated)
Turnover	7	**1,223,941**	1,366,272
Cost of sales		**(1,088,926)**	(1,224,258)
Gross profit		**135,015**	142,014
Changes in fair value due to biological transformation		**(13,792)**	(8,257)
Other gains and income	8	**10,139**	37,489
Selling and distribution expenses		**(80,497)**	(85,142)
Administrative expenses		**(112,538)**	(103,767)
Other operating expenses		**(390,056)**	(222,647)
Loss from operations		**(451,729)**	(240,310)
Finance costs	10	**(238)**	(515)
Share of loss of a joint venture		**(12,397)**	(8,564)
Gain on disposal of subsidiaries		**48,134**	–
Loss before tax		**(416,230)**	(249,389)
Income tax expense	11	**(633)**	(1,071)
Loss for the year	12	**(416,863)**	(250,460)
Attributable to:			
Owners of the Company		**(405,546)**	(248,731)
Non-controlling interests		**(11,317)**	(1,729)
		(416,863)	(250,460)
Loss per share	15		(Restated)
Basic		**HK(30 cents)**	HK(33 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000 (Restated)
Loss for the year	**(416,863)**	(250,460)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**11**	(570)
Deferred tax liability on revaluation of buildings	**(3)**	142
	8	(428)
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(23,271)**	(33,173)
Exchange differences reclassified to profit or loss on disposal of subsidiaries/deregistration of a subsidiary	**(51,375)**	(2)
Fair value change on available-for-sale financial assets	**2,664**	(96,424)
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**(2,294)**	(88,208)
	(74,276)	(217,807)
Other comprehensive income for the year, net of tax	**(74,268)**	(218,235)
Total comprehensive income for the year	**(491,131)**	(468,695)
Attributable to:		
Owners of the Company	**(479,808)**	(466,967)
Non-controlling interests	**(11,323)**	(1,728)
	(491,131)	(468,695)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	**30 June 2017 HK$'000**	30 June 2016 HK$'000 (Restated)	1 July 2015 HK$'000 (Restated)
ASSETS				
Non-current assets				
Fixed assets	16	**400,922**	650,619	683,149
Prepaid land lease payments	17	**94,679**	233,703	264,796
Construction in progress	18	**13,271**	107,045	121,088
Bearer plants	19	**95,401**	103,820	73,665
Goodwill	20	**165,388**	69,045	230,627
Other intangible assets	21	**156,339**	98,066	72,433
Other assets	22	**43,842**	82,983	125,019
Investment in a joint venture	23	**16,349**	73,232	–
Investment in a club membership	24	**108**	108	108
Investments	25	**21,345**	26,868	243,231
Deferred tax assets	33	**1,268**	–	–
		1,008,912	1,445,489	1,814,116
Current assets				
Biological assets	26	**20,419**	10,880	3,716
Inventories	27	**158,490**	199,478	203,532
Trade receivables	28	**393,050**	431,980	465,919
Prepayments, deposits and other receivables		**186,514**	200,404	228,351
Investments	25	**12,978**	17,482	390
Pledged bank deposits	29	**–**	–	28,000
Client trust bank balances	29	**7,333**	–	–
Bank and cash balances	29	**833,890**	430,558	348,128
		1,612,674	1,290,782	1,278,036
TOTAL ASSETS		**2,621,586**	2,736,271	3,092,152
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	34	**180,070**	90,035	65,545
Reserves	36(a)	**2,088,453**	2,443,468	2,812,003
		2,268,523	2,533,503	2,877,548
Non-controlling interests		**(12,757)**	(1,434)	574
Total equity		**2,255,766**	2,532,069	2,878,122

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Note	**30 June 2017 HK$'000**	30 June 2016 HK$'000 (Restated)	1 July 2015 HK$'000 (Restated)
Non-current liabilities				
Finance lease payables	32	**16**	33	49
Deferred tax liabilities	33	**15,148**	6,523	6,720
		15,164	6,556	6,769
Current liabilities				
Trade payables	30	**115,382**	106,065	120,545
Consideration payable		**152,000**	–	–
Accruals and other payables		**46,962**	24,341	17,068
Borrowings	31	**33,326**	61,342	64,472
Finance lease payables	32	**17**	16	22
Current tax liabilities		**2,969**	5,882	5,154
		350,656	197,646	207,261
Total liabilities		**365,820**	204,202	214,030
TOTAL EQUITY AND LIABILITIES		**2,621,586**	2,736,271	3,092,152
Net current assets		**1,262,018**	1,093,136	1,070,775
Total assets less current liabilities		**2,270,930**	2,538,625	2,884,891

Approved by Board of Directors on 22 September 2017 and are signed on its behalf by:

LAM Kwok Hing
Chairman

CHAN Cheuk Yu Stephen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Attributable to owners of the Company											
	Share capital (note 34) HK$'000	Share premium account (note 36(c)(i)) HK$'000	Legal reserve (note 36(c)(ii)) HK$'000	Foreign currency translation reserve (note 36(c)(iii)) HK$'000	Share-based payment reserve (note 36(c)(iv)) HK$'000	Property revaluation reserve (note 36(c)(v)) HK$'000	Investment revaluation reserve (note 36(c)(vi)) HK$'000	Special reserve (note 36(c)(vii)) HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 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
Total comprehensive income for the year												
As previously reported	–	–	–	(33,176)	–	(428)	(184,632)	–	(272,965)	(491,201)	(1,728)	(492,929)
Prior year adjustments	–	–	–	–	–	–	–	–	24,234	24,234	–	24,234
As restated	–	–	–	(33,176)	–	(428)	(184,632)	–	(248,731)	(466,967)	(1,728)	(468,695)
Acquisition of subsidiaries (note 38(d))	9,490	63,585	–	–	–	–	–	–	–	73,075	(290)	72,785
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	–	–	10	10
Share issued upon placing	15,000	34,847	–	–	–	–	–	–	–	49,847	–	49,847
Transfer of reserve upon lapse of share options	–	–	–	–	(2,011)	–	–	–	2,011	–	–	–
Change in equity for the year	24,490	98,432	–	(33,176)	(2,011)	(428)	(184,632)	–	(246,720)	(344,045)	(2,008)	(346,053)
At 30 June 2016	90,035	2,251,063	97	162,062	16,659	7,386	105	(86,094)	92,190	2,533,503	(1,434)	2,532,069
At 1 July 2016												
As previously reported	**90,035**	**2,251,063**	**97**	**162,062**	**16,659**	**7,386**	**105**	**(86,094)**	**67,956**	**2,509,269**	**(1,434)**	**2,507,835**
Prior year adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**24,234**	**24,234**	**-**	**24,234**
As restated	**90,035**	**2,251,063**	**97**	**162,062**	**16,659**	**7,386**	**105**	**(86,094)**	**92,190**	**2,533,503**	**(1,434)**	**2,532,069**
Total comprehensive income for the year	**-**	**-**	**-**	**(74,640)**	**-**	**8**	**370**	**-**	**(405,546)**	**(479,808)**	**(11,323)**	**(491,131)**
Recognition of equity-settled share-based payments	**-**	**-**	**-**	**-**	**7,646**	**-**	**-**	**-**	**-**	**7,646**	**-**	**7,646**
Rights issue (note 34(e))	**90,035**	**117,147**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**207,182**	**-**	**207,182**
Transfer of reserve upon lapse of share options	**-**	**-**	**-**	**-**	**(2,047)**	**-**	**-**	**-**	**2,047**	**-**	**-**	**-**
Change in equity for the year	**90,035**	**117,147**	**-**	**(74,640)**	**5,599**	**8**	**370**	**-**	**(403,499)**	**(264,980)**	**(11,323)**	**(276,303)**
At 30 June 2017	**180,070**	**2,368,210**	**97**	**87,422**	**22,258**	**7,394**	**475**	**(86,094)**	**(311,309)**	**2,268,523**	**(12,757)**	**2,255,766**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(416,230)**	(249,389)
Adjustments for:		
Amortisation of other intangible assets, net of amount capitalised	**22,550**	21,167
Amortisation of prepaid land lease payments, net of amount capitalised	**22,625**	22,786
Changes in fair value of due to biological transformation	**13,792**	8,257
Depreciation, net of amount capitalised	**38,803**	41,901
Finance costs	**238**	515
Gain on fixed assets disposals, net	**–**	(34)
Gain on disposal of available-for-sale financial assets	**(2,294)**	(30,840)
Gain on exchange contracts	**(50)**	(1,237)
Gain on disposal of subsidiaries	**(48,134)**	–
Interest income	**(5,534)**	(5,173)
Share of loss of a joint venture	**12,397**	8,564
Equity-settled share-based payments expenses	**7,646**	–
Allowance for trade receivables	**418**	–
Allowance for other receivables	**4,677**	28,373
Impairment loss on fixed assets	**17,491**	–
Impairment loss on prepaid land lease payments	**9,226**	–
Impairment loss on bearer plants	**11,767**	–
Impairment loss on goodwill	**48,100**	161,582
Impairment loss on investment in a joint venture	**44,486**	–
Fixed assets written off	**51,793**	–
Provision for construction in progress	**58,503**	–
Provision for prepaid land lease payments	**72,046**	–
Provision for plantation costs	**66,495**	–
Unrealised exchange losses	**1,098**	1,458
Fair value (gain)/loss on financial assets at fair value through profit or loss, net	**(20)**	110
Fair value loss on fixed assets	**3,471**	6,143
Operating profit before working capital changes	**35,360**	14,183
Decrease in biological assets	**4,791**	4,101
Decrease in inventories	**40,988**	4,054
(Increase)/Decrease in other assets	**(27,354)**	42,036
Decrease in client trust bank balances	**9,549**	–
Decrease in trade and other receivables, prepayments and deposits	**50,303**	10,996
Increase/(Decrease) in trade and other payables	**13,861**	(16,310)
Cash generated from operations	**127,498**	59,060
Interest paid	**(236)**	(509)
Finance lease charges paid	**(2)**	(6)
Net cash generated from operating activities	**127,260**	58,545

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	2017 HK$'000	2016 HK$'000 (Restated)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	**(47,277)**	–
Interest received	**5,619**	5,321
Proceeds from disposal of subsidiaries	**198,171**	3
Proceeds from disposals of fixed assets	**–**	75
Proceeds from disposal of available-for-sale financial assets	**8,643**	80,831
Proceeds from disposal of financial assets at fair value through profit or loss	**–**	102
Proceeds from retirement of held-to-maturity investments	**16,256**	–
Proceeds from settlement of exchange contracts	**50**	1,237
Purchases of fixed assets	**(20,141)**	(11,502)
Purchases of available-for-sale financial assets	**(13,371)**	(37,170)
Purchase of other intangible assets	**(28,152)**	(46,800)
Increase in pledged bank deposits	**–**	28,000
Additions to construction in progress	**(14,391)**	(31,566)
Net cash generated from/(used in) investing activities	**105,407**	(11,469)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of share capital	**207,182**	49,847
Repayment of bank loans	**(164,000)**	(85,000)
Drawdown of bank loans	**149,000**	85,000
Decrease in import loans	**(13,016)**	(3,130)
Repayment of capital element of finance leases	**(16)**	(22)
Net cash generated from financing activities	**179,150**	46,695
NET INCREASE IN CASH AND CASH EQUIVALENTS	**411,817**	93,771
Effect of foreign exchange rate changes	**(8,485)**	(11,341)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**430,558**	348,128
CASH AND CASH EQUIVALENTS AT END OF YEAR	**833,890**	430,558
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**833,890**	430,558

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. GENERAL INFORMATION

Heng Tai Consumables Group Limited (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 43 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 (Cap. 622).

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of amendments to HKFRSs that are first effective for annual periods beginning on or after 1 July 2016. The Group has applied the amendments made to HKAS 16 and HKAS 41 in relation to bearer plants. These amendments have resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements.

In August 2014, the HKICPA made amendments to HKAS 16 Property, Plant and Equipment and HKAS 41 Agriculture which distinguish bearer plants from other biological assets. Bearer plants are solely used to grow produce over their productive lives and are seen to be similar to an item of machinery. They will therefore now be accounted for under HKAS 16. However, agricultural produce growing on bearer plants will remain within the scope of HKAS 41 and continue to be measured at fair value less cost to sell.

The Group's fruits trees qualify as bearer plants under the new definition in HKAS 41. As required under HKAS 8, the change in accounting policy has been applied retrospectively. As a consequence, the fruits trees were reclassified to bearer plants effective on 1 July 2015 and comparative figures have been restated accordingly.

The fruits trees are now measured at amortised cost and depreciated over their useful life which is estimated to be 12 to 27 years. As permitted under the transitional rules, the fair value of the fruits trees at 1 July 2015 (HK$73,665,000) was deemed to be their cost going forward.

As a result of the changes in the Group's accounting policies, prior year consolidated financial statements had to be restated. The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the change have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. As permitted under the transitional rules, the impact on the current period is not disclosed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

(a) Application of new and revised HKFRSs *(Continued)*

Consolidated statement of profit or loss

	Prior year restatement		
	2016 (Previously stated) HK$'000	Increase HK$'000	2016 (Restated) HK$'000
Change in fair value due to biological transformation	(28,261)	20,004	(8,257)
Other operating expenses	(226,877)	4,230	(222,647)
Loss for the year	(274,694)	24,234	(250,460)
Loss attributable to:			
Owners of the Company	(272,965)	24,234	(248,731)
Non-controlling interests	(1,729)	–	(1,729)
	(274,694)	24,234	(250,460)
Loss per share			
Basic	HK(37 cents)	HK3 cents	HK(34 cents)*
Diluted	N/A	–	N/A

* The calculation of restated basic loss per share is based on the restated loss for the year ended 30 June 2016 of approximately HK$248,731,000 and the weighted average number of ordinary shares of 732,489,026 in 2016 as previously reported and it does not reflect the effect of rights issue during the year ended 30 June 2017.

Consolidated statement of financial position

	Prior year restatement					
	30 June 2016 (Previously stated) HK$'000	Increase/ (Decrease) HK$'000	30 June 2016 (Restated) HK$'000	1 July 2015 (Previously stated) HK$'000	Increase/ (Decrease) HK$'000	1 July 2015 (Restated) HK$'000
Biological assets	90,466	(79,586)	10,880	77,381	(73,665)	3,716
Bearer plants	–	103,820	103,820	–	73,665	73,665
Total assets	2,712,037	24,234	2,736,271	3,092,152	–	3,092,152
Net assets	2,507,835	24,234	2,532,069	2,878,122	–	2,878,122
Retained earnings	67,956	24,234	92,190	338,910	–	338,910
Total equity	2,507,835	24,234	2,532,069	2,878,122	–	2,878,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 for the financial year beginning 1 July 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative	1 January 2017
Amendments to HKAS 12 Income Taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 2 Share-based Payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16 Leases	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course.

HKFRS 9 Financial Instruments

The standard replaces HKAS 39 Financial Instruments: Recognition and Measurement.

The standard introduces a new approach to the classification of financial assets which is based on cash flow characteristics and the business model in which the asset is held. A debt instrument that is held within a business model whose objective is to collect the contractual cash flows and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at amortised cost. A debt instrument that is held within a business model whose objective is achieved by both collecting the contractual cash flows and selling the instruments and that has contractual cash flows that are solely payments of principal and interest on the principal outstanding is measured at fair value through other comprehensive income. All other debt instruments are measured at fair value through profit or loss. Equity instruments are generally measured at fair value through profit or loss. However, an entity may make an irrevocable election on an instrument-by-instrument basis to measure equity instruments that are not held for trading at fair value through other comprehensive income.

The requirements for the classification and measurement of financial liabilities are carried forward largely unchanged from HKAS 39 except that when the fair value option is applied changes in fair value attributable to changes in own credit risk are recognised in other comprehensive income unless this creates an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

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

HKFRS 9 Financial Instruments (Continued)

HKFRS 9 introduces a new expected-loss impairment model to replace the incurred-loss impairment model in HKAS 39. It is no longer necessary for a credit event or impairment trigger to have occurred before impairment losses are recognised. For financial assets measured at amortised cost or fair value through other comprehensive income, an entity will generally recognise 12-month expected credit losses. If there has been a significant increase in credit risk since initial recognition, an entity will recognise lifetime expected credit losses. The standard includes a simplified approach for trade receivables to always recognise the lifetime expected credit losses.

The de-recognition requirements in HKAS 39 are carried forward largely unchanged.

HKFRS 9 substantially overhauls the hedge accounting requirements in HKAS 39 to align hedge accounting more closely with risk management and establish a more principle based approach.

While the Group has yet to undertake a detailed assessment of the classification and measurement of financial assets, debt instruments currently classified as available-for-sale financial assets would appear to satisfy the conditions for classification as at fair value through other comprehensive income and hence there will be no change to the accounting for these assets.

The new expected credit loss impairment model in HKFRS 9 may result in the earlier recognition of impairment losses on the Group's trade receivables and other financial assets. The Group is unable to quantify the impact until a more detailed assessment is completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

The core principle of the standard is that an entity recognises revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to become entitled in exchange for those goods and services.

An entity recognises revenue in accordance with the core principle by applying a 5-step model:

1. Identify the contract with a customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations in the contract

5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

The Group is unable to estimate the impact of the new standard on the consolidated financial statements until a more detailed analysis is completed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

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

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

The Group's land and property leases are currently classified as operating leases and the lease payments are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 42, the Group's future minimum lease payments under non-cancellable operating leases for its land and properties amounted to approximately HK$20,482,000 as at 30 June 2017. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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.

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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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.

(c) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint 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.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group has assessed the type of each of its joint arrangements and determined them to all be joint ventures.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Joint arrangements *(Continued)*

The gain or loss on the disposal of a joint venture that results in a loss of joint 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 joint venture and (ii) the Group's entire carrying amount of that joint venture (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) 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 value 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities 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.

(e) 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 depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Fixed assets *(Continued)*

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.

(f) Bearer plants

Bearer plants consist of mature trees and infant trees in the Group's plantations in the People's Republic of China (the "PRC"). The role of the mature trees is to supply fruits through the processes of growth in each production cycle. The infant trees are held for transforming into mature trees.

Expenditure that are attributable to the biological growth of infant trees, such as deprecation charge and cost of fertilisers and pesticides are recognised as additions to bearer plants until the stage such infant trees start bearing fruits.

Infant trees are undergoing biological transformation leading to them being able to produce fruits. Infant trees are carried at cost less any recognised impairment loss. Once infant trees become mature and productive, they will be transferred to the category of mature trees and depreciation commences. Mature trees are depreciated using straight-line method over their expected useful lives of 12 to 27 years.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal of the bearer plants is determined as the difference between the sales proceeds and carrying amount of the bearer plants and is recognised in profit and loss.

(g) 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(h) 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 3.67 to 10 years. Other intangible asset with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the intangible asset has suffered an impairment loss.

(i) 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.

(j) Biological assets

Biological assets comprise fresh fruit bunches before harvest in leased farms and are classified as current assets due to short harvesting period.

Biological assets are measured at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at cost less accumulated depreciation and impairment losses. Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss.

The infant trees and mature trees are presented and accounted for as bearer plants, see note 4(f). However, the fresh fruit bunches growing on the fruits trees is accounted for as biological assets until the point of harvest. Harvested fresh fruit bunches are transferred to inventories at fair value less costs to sell when harvested. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

Costs to sell include the incremental selling costs, including auctioneers' fees, commission paid to brokers and dealers and estimated costs of transport to the market but excludes finance costs and income taxes.

(k) 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.

(l) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an financial asset 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 trade and other receivables, 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.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are 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.

(n) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Equity instruments

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

(t) 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.

Commission and brokerage income arising from stock-broking and securities dealing transactions are recognised in profit or loss on a trade date basis when the relevant transactions are executed.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) 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 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.

(v) 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 the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) 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.

(x) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Taxation *(Continued)*

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.

(y) Impairment of non-financial assets

Intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other 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.

(z) 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 asset(s) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(z) Impairment of financial assets *(Continued)*

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 debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in investment revaluation reserve; impairment losses are not reversed through profit or loss.

(aa) 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.

(ab) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

Critical judgements in applying accounting policies *(Continued)*

(b) Operation of agricultural activities

The Group entered into subcontracting and management agreements for establishment and subsequent maintenance of its fruits 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".

(c) Joint control assessment

The Group holds 50% of the voting rights of its joint arrangement of Waygood Investment Development Limited ("Waygood"). The directors have determined that the Group has joint control over the arrangement as under the contractual agreement, it appears that unanimous consent is required from all parties to the agreement for all relevant activities.

(d) Joint arrangement of limited company

The Group's joint arrangement of Waygood is structured as limited company and provides the Group and the parties to the agreement with rights to the net assets of the limited company under the arrangement. Therefore, the directors have determined that Waygood is classified as joint venture of the Group.

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 2017 was approximately HK$400,922,000 (2016: HK$650,619,000).

(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 2017 was approximately HK$156,339,000 (2016: HK$98,066,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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$633,000 (2016: HK$1,071,000) 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$165,388,000 (2016: HK$69,045,000) after an impairment loss of approximately HK$48,100,000 (2016: HK$161,582,000) was recognised during the year. Details of the impairment test are explained in note 20 to the consolidated financial statements.

(e) Impairment of non-current assets (exclude goodwill)

Determining whether a non-current asset is impaired requires an estimation of the value in use of the CGU to which the non-current asset 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 amounts of agri-products business segment assets, logistics services business segment assets and investment in a joint venture at the end of the reporting period were approximately HK$872,932,000 (2016: HK$1,246,008,000), HK$228,335,000 (2016: HK$444,958,000) and HK$16,349,000 (2016: HK$73,232,000) after impairment losses. Impairment losses of approximately HK$38,484,000 (2016: HK$Nil) and HK$44,486,000 (2016: HK$Nil) was recognised to agri-products business segment assets and investment in a joint venture during the year. Details of the impairment test are explained in notes 16 and 23 to the consolidated financial statements.

(f) 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 trade receivables and other receivables in amount of approximately HK$418,000 (2016: Nil) and HK$4,677,000 (2016: HK$28,373,000) was made for the year ended 30 June 2017 respectively.

(g) 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 2017 (2016: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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

Key sources of estimation uncertainty *(Continued)*

(h) Fair values of the buildings

The Group appointed an independent professional valuer to assess the fair values of the buildings. In determining the fair values 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 are satisfied that the method of valuation and inputs used are reflective of their fair value and current market condition.

The carrying amount of the buildings as at 30 June 2017 was approximately HK$97,125,000 (2016: HK$285,261,000).

(i) Bearer plants and depreciation

The Group determines the estimated point of maturity, useful lives, residual values and related depreciation charges for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity, actual useful lives and residual values of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity, useful lives and residual values 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 bearer plants as at 30 June 2017 was approximately HK$95,401,000 (2016: HK$103,820,000 as restated).

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments at 30 June

	2017	2016
	HK$'000	HK$'000
Financial assets		
Financial assets at fair value through profit or loss – held for trading	**198**	178
Available-for-sale financial assets	**34,125**	26,868
Held-to-maturity investments	**–**	17,304
Loans and other receivables (including cash and cash equivalents)	**1,367,606**	1,021,817
Financial liabilities		
Financial liabilities at amortised cost	**346,715**	190,169

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(i) Foreign currency risk (Continued)

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

	2017 **HK$'000**	2016 HK$'000
ASSETS		
RMB	**27,419**	95,017
USD	**92,743**	94,288
LIABILITIES		
RMB	**24**	588
USD	**83,761**	93,789

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as HKD is pegged with USD. At 30 June 2017, if HKD had weakened/strengthened 1% (2016: 6%) against RMB with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2017 would have been approximately HK$274,000 (2016: HK$5,666,000) lower/higher, arising mainly as a result of the foreign exchange gain/loss on bank balances, investments 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 debt/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 other comprehensive income for the year would be decreased/increased by approximately HK$20,000 (2016: HK$18,000) and increased/decreased by approximately HK$3,413,000 (2016: HK$2,687,000) respectively as a result of changes in fair value of investments.

(iii) Credit risk

The carrying amount of the bank and cash balances, client trust bank 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, client trust bank 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 and financial institution in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(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 non-derivative 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$'000	Total undiscounted cash flows HK$'000
At 30 June 2017				
Trade payables	**–**	**115,382**	**–**	**115,382**
Consideration payable	**152,000**	**–**	**–**	**152,000**
Accruals and other payables	**–**	**46,007**	**–**	**46,007**
Borrowings subject to a repayment on demand clause	**33,326**	**–**	**–**	**33,326**
Finance lease payables	**–**	**18**	**18**	**36**
	185,326	**161,407**	**18**	**346,751**
At 30 June 2016				
Trade payables	–	106,065	–	106,065
Accruals and other payables	–	22,762	–	22,762
Borrowings subject to a repayment on demand clause	61,342	–	–	61,342
Finance lease payables	–	18	36	54
	61,342	128,845	36	190,223

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iv) Liquidity risk (Continued)

	Less than 1 year HK$'000
At 30 June 2017	**33,341**
At 30 June 2016	61,487

(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/lower with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2017 would be decreased/increased by approximately HK$3,028,000 (2016: HK$1,320,000), arising mainly as a result of higher interest income on bank balance.

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, climate changes, other natural forces 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 2017

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$'000	Total 2017 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity securities				
– in Hong Kong	198	–	–	198
Available-for-sale financial assets				
Listed debt securities				
– in Hong Kong	–	12,037	–	12,037
– outside Hong Kong	–	15,067	–	15,067
Unlisted debt securities	–	7,021	–	7,021
Buildings				
Commercial and industrial				
– PRC	–	–	97,125	97,125
Total recurring fair value measurements	198	34,125	97,125	131,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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$'000	Total 2016 HK$'000
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
Listed equity securities				
– in Hong Kong	178	–	–	178
Available-for-sale financial assets				
Listed debt securities				
– in Hong Kong	–	12,118	–	12,118
– outside Hong Kong	–	14,750	–	14,750
Buildings				
Commercial and industrial				
– PRC	–	–	285,261	285,261
Total recurring fair value measurements	178	26,868	285,261	312,307

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 movement in the buildings under Level 3 fair value measurements during the year is presented in notes 16 to the consolidated financial statements respectively.

Fair value adjustment on the buildings is recognised 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. The fair value change on revaluation included fair value gain for building held at the end of the reporting period of approximately HK$11,000 (2016: fair value loss of approximately HK$570,000).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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: *(Continued)*

Level 3 fair value measurements

Description	Valuation technique	Key unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2017 HK$'000	Fair value 2016 HK$'000
Buildings Commercial and industrial – PRC	Depreciated replacement cost	Discount rate	24.82% (2016: 22.76% to 26.83%)	Decrease	**97,125**	285,261
		Replacement cost (per s.q.m)	RMB2,500 to RMB7,000 (2016: RMB2,500 to RMB7,000)	Increase		

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

7. TURNOVER

	2017 HK$'000	2016 HK$'000
Sales of consumer goods	**642,755**	710,248
Sales of agri-products	**544,886**	613,834
Logistics services income	**34,666**	42,190
Commission and brokerage income on securities dealings	**1,634**	–
	1,223,941	1,366,272

8. OTHER GAINS AND INCOME

	2017 HK$'000	2016 HK$'000
Dividend income from listed equity investments	**–**	9
Fair value gain on financial assets at fair value through profit or loss, net	**20**	–
Gain on disposal of available-for-sale financial assets	**2,294**	30,840
Gain on disposal of fixed assets	**–**	42
Gain on exchange contracts	**50**	1,237
Interest income on bank deposits	**3,517**	3,678
Interest income on debt securities investments	**2,017**	1,495
Recovery of bad debts	**1,526**	–
Sundry income	**715**	188
	10,139	37,489

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

9. SEGMENT INFORMATION

The Group has three reportable 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 Group's other operating segments include the provision of securities dealing services and organisation of concert scaled live show presentation. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the 'All other segments' column.

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 profit/loss do not include gain or loss from investments, impairment losses on goodwill and investment in a joint venture, certain finance costs, share of loss of a joint venture, gain on disposal of subsidiaries and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables and certain bank and cash balances. Segment non-current assets do not include investment in a joint venture, investments, investment in a club membership and certain fixed assets. Segment liabilities do not include borrowings, consideration 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 2017

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$'000	All other segments HK$'000	Total HK$'000
Year ended 30 June 2017					
Revenue from external customers	642,755	544,886	34,666	1,634	1,223,941
Segment profit/(loss)	7,050	(332,248)	1,212	(1,817)	(325,803)
Depreciation and amortisation	21,730	44,469	16,352	1,270	83,821
Other material non-cash items:					
Changes in fair value due to biological transformation	–	13,792	–	–	13,792
Impairment loss on fixed assets	–	17,491	–	–	17,491
Impairment loss on prepaid land lease payments	–	9,226	–	–	9,226
Impairment loss on bearer plants	–	11,767	–	–	11,767
Fixed assets written off	5,320	41,153	5,320	–	51,793
Provision for construction in progress	–	58,503	–	–	58,503
Provision for prepaid land lease payments	–	72,046	–	–	72,046
Provision for plantation costs	–	66,495	–	–	66,495
Additions to segment non-current assets	37,450	6,589	17,845	54,109	115,993
As at 30 June 2017					
Segment assets	972,502	872,932	228,335	243,678	2,317,447
Segment liabilities	59,012	55,030	8,122	44,983	167,147

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

9. SEGMENT INFORMATION *(CONTINUED)*

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

	FMCG Trading Business HK$'000	Agri-Products Business HK$'000 (Restated)	Logistics Services Business HK$'000	Total HK$'000 (Restated)
Year ended 30 June 2016				
Revenue from external customers	710,248	613,834	42,190	1,366,272
Segment profit/(loss)	2,181	(85,017)	747	(82,089)
Depreciation and amortisation	25,239	42,282	17,842	85,363
Other material non-cash items:				
Changes in fair value due to biological transformation	–	8,257	–	8,257
Allowance for other receivables	–	28,373	–	28,373
Additions to segment non-current assets	19,518	58,623	24,578	102,719
As at 30 June 2016				
Segment assets	882,692	1,246,008	444,958	2,573,658
Segment liabilities	70,533	62,511	9,383	142,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

9. SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of reportable segment loss, assets and liabilities:

	2017 HK$'000	2016 HK$'000 (Restated)
Loss		
Total loss of reportable segments	**(325,803)**	(82,089)
Gain on disposal of subsidiaries	**48,134**	–
Impairment loss on goodwill	**(48,100)**	(161,582)
Impairment loss on investment in a joint venture	**(44,486)**	–
Share of loss of a joint venture	**(12,397)**	(8,564)
Unallocated amounts:		
Other corporate (expenses)/gains	**(34,211)**	1,775
Consolidated loss for the year	**(416,863)**	(250,460)
Assets		
Total assets of reportable segments	**2,317,447**	2,573,658
Investment in a joint venture	**16,349**	73,232
Unallocated amounts:		
Investments	**34,323**	44,350
Other corporate assets	**253,467**	45,031
Consolidated total assets	**2,621,586**	2,736,271
Liabilities		
Total liabilities of reportable segments	**167,147**	142,427
Unallocated amounts:		
Other corporate liabilities	**198,673**	61,775
Consolidated total liabilities	**365,820**	204,202

Geographical information:

The Group's revenue from continuing operations from external customers by location of operations and information about its non-current assets by location of assets are detailed below:

	Revenue		**Non-current assets**	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Hong Kong	**56,090**	44,316	**195,848**	74,109
PRC except Hong Kong	**1,159,695**	1,298,160	**771,187**	1,341,188
Others	**8,156**	23,796	**19,059**	2,894
Consolidated total	**1,223,941**	1,366,272	**986,094**	1,418,191

Revenue from major customer:

For the years ended 30 June 2016 and 2017, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

10. FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on borrowings	236	509
Finance lease charges	2	6
	238	515

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	762	305
Over-provision in prior years	(14)	–
	748	305
Current tax – Overseas		
Provision for the year	203	423
Deferred tax (note 33)	(318)	343
	633	1,071

Hong Kong Profits Tax has been provided at a rate of 16.5% (2016: 16.5%) on the estimated assessable profit less allowable losses brought forward for the year ended 30 June 2017.

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% (2016: 25%), based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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:

	2017				2016			
	Macau HK$'000	**Hong Kong HK$'000**	**The PRC HK$'000**	**Total HK$'000**	Macau HK$'000	Hong Kong HK$'000	The PRC HK$'000 (Restated)	Total HK$'000 (Restated)
Profit/(Loss) before tax	**76,016**	**(56,688)**	**(435,558)**	**(416,230)**	69,637	10,749	(329,775)	(249,389)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**9,122**	**(9,354)**	**(108,890)**	**(109,122)**	8,356	1,774	(82,444)	(72,314)
Tax effect of income not taxable	**–**	**(478)**	**(13,714)**	**(14,192)**	–	(5,188)	(1,323)	(6,511)
Tax effect of expenses not deductible	**–**	**7,554**	**119,144**	**126,698**	–	2,158	79,709	81,867
Profits exempted from the Macau Complementary Tax	**(9,122)**	**–**	**–**	**(9,122)**	(8,356)	–	–	(8,356)
Tax effect of unused tax losses not recognised	**–**	**661**	**5,802**	**6,463**	–	450	3,415	3,865
Tax effect of utilisation of tax losses not previously recognised	**–**	**(82)**	**–**	**(82)**	–	(317)	–	(317)
Tax effect of unrecognised temporary difference	**–**	**(232)**	**(1,809)**	**(2,041)**	–	15	1,409	1,424
Tax effect of share of loss of a joint venture	**–**	**2,045**	**–**	**2,045**	–	1,413	–	1,413
Over-provision in prior years	**–**	**(14)**	**–**	**(14)**	–	–	–	–
Income tax expense	**–**	**100**	**533**	**633**	–	305	766	1,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

12. LOSS FOR THE YEAR

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

	2017 HK$'000	2016 HK$'000 (Restated)
Amortisation of other intangible assets	**22,550**	21,167
Auditors' remuneration		
Statutory audit	**2,391**	2,171
Under-provision in prior year	**16**	50
Non-audit services	**385**	180
	2,792	2,401
Cost of inventories sold	**1,037,994**	1,170,664
Depreciation, net of amount capitalised	**38,803**	41,901
Exchange loss, net	**1,583**	13,586
Fair value loss on fixed assets	**3,471**	6,143
Gain on fixed assets disposals	**–**	(34)
Allowance for trade receivables	**418**	–
Allowance for other receivables	**4,677**	28,373
Impairment loss on fixed assets (note 16)	**17,491**	–
Impairment loss on prepaid land lease payments (note 17)	**9,226**	–
Impairment loss on bearer plants (note 19)	**11,767**	–
Impairment loss on goodwill (note 20)	**48,100**	161,582
Impairment loss on investment in a joint venture (note 23)	**44,486**	–
Fixed assets written off (note 16)	**51,793**	–
Provision for construction in progress (note 18)	**58,503**	–
Provision for prepaid land lease payments (note 17)	**72,046**	–
Provision for plantation costs (note 22)	**66,495**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**42,416**	41,401
Other equity-settled share-based payments	**7,646**	–
Rental income#	**(1,593)**	(2,950)
Staff costs (excluding directors' emoluments – note 13)		
Staff salaries, bonus and allowances	**23,458**	24,411
Retirement benefits scheme contributions	**681**	682
	24,139	25,093

Included in logistics services income in note 7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' 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:

	2017 **HK$'000**	2016 HK$'000
Fees	**454**	450
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**6,648**	5,804
Retirement benefits scheme contributions	**58**	50
	7,160	6,304

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

(i) Independent non-executive directors

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

	2017 **HK$'000**	2016 HK$'000
Fees		
Mr. John Handley (note 1)	**100**	150
Mr. Poon Yiu Cheung, Newman	**150**	150
Ms. Mak Yun Chu	**150**	150
Mr. Hung Hing Man (note 2)	**54**	–
	454	450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

13. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(a) Directors' emoluments *(Continued)*

(ii) Executive and non-executive directors

	Fees HK$'000	Salaries, bonuses, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2017				
Mr. Lam Kwok Hing	**–**	**2,703**	**18**	**2,721**
Ms. Lee Choi Lin, Joecy	**–**	**753**	**15**	**768**
Ms. Chan Yuk, Foebe (note 3)	**–**	**–**	**–**	**–**
Ms. Hung Sau Yung, Rebecca	**–**	**1,493**	**18**	**1,511**
Ms. Gao Qin Jian	**–**	**976**	**–**	**976**
Mr. Chan Cheuk Yu, Stephen (note 4)	**–**	**723**	**7**	**730**
	–	**6,648**	**58**	**6,706**
2016				
Mr. Lam Kwok Hing	–	2,618	18	2,636
Ms. Lee Choi Lin, Joecy	–	729	14	743
Ms. Chan Yuk, Foebe	–	–	–	–
Ms. Hung Sau Yung, Rebecca	–	1,462	18	1,480
Ms. Gao Qin Jian	–	995	–	995
	–	5,804	50	5,854

Notes:

1. Resigned on 28 February 2017
2. Appointed on 20 February 2017
3. Retired on 21 December 2016
4. Appointed on 6 February 2017

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2016: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

13. BENEFITS AND INTERESTS OF DIRECTORS *(CONTINUED)*

(a) Directors' emoluments *(Continued)*

The five highest paid individuals in the Group during the year included two (2016: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2016: three) individuals are set out below:

	2017 **HK$'000**	2016 HK$'000
Salaries, bonuses, allowances and benefits in kind	**4,132**	4,004
Retirement benefits scheme contributions	**36**	36
	4,168	4,040

The emoluments fell within the following bands:

	Number of individuals **2017**	2016
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	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 (2016: HK$Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. DIVIDENDS

The Board does not recommend the payment of final dividend in respect of the year ended 30 June 2017 (2016: HK$Nil).

15. 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$405,546,000 (2016: HK$248,731,000 as restated) and the weighted average number of ordinary shares of 1,358,168,928 (2016: 761,788,587 as restated) in issue during the year after adjusting the effects of rights issue (note 34(e)) in January 2017. The basic loss per share for 2016 had been adjusted and 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 years ended 30 June 2017 and 30 June 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. 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 2015	320,357	563,465	23,020	300,534	55,135	1,262,511
Acquisition of subsidiaries	–	–	–	–	3	3
Additions	–	10,476	–	312	714	11,502
Transfer from construction in progress	–	–	–	45,562	–	45,562
Disposals	–	–	–	–	(669)	(669)
Adjustment on revaluation	(16,478)	–	–	–	–	(16,478)
Exchange differences	(18,618)	–	(846)	(1,423)	(1,988)	(22,875)
At 30 June 2016 and 1 July 2016	285,261	573,941	22,174	344,985	53,195	1,279,556
Acquisition of subsidiaries (note 38(a))	–	–	413	–	234	647
Disposals of subsidiaries (note 38(c))	(166,667)	–	(6,667)	(275)	(16,685)	(190,294)
Additions	–	–	–	19,370	771	20,141
Transfer from construction in progress	–	–	12,900	30,407	–	43,307
Disposals	–	–	–	–	(10)	(10)
Written off	–	(71,442)	(6,849)	(73,731)	(708)	(152,730)
Adjustment on revaluation	(9,295)	–	–	–	–	(9,295)
Exchange differences	(12,174)	–	(541)	(805)	(1,185)	(14,705)
At 30 June 2017	97,125	502,499	21,430	319,951	35,612	976,617
Accumulated depreciation and impairment						
At 1 July 2015	–	310,422	22,937	197,264	48,739	579,362
Depreciation charge for the year	9,765	31,311	25	20,761	2,069	63,931
Disposals	–	–	–	–	(628)	(628)
Adjustment on revaluation	(9,765)	–	–	–	–	(9,765)
Exchange differences	–	–	(846)	(1,369)	(1,748)	(3,963)
At 30 June 2016 and 1 July 2016	–	341,733	22,116	216,656	48,432	628,937
Depreciation charge for the year	8,456	32,018	520	19,493	1,046	61,533
Disposals of subsidiaries (note 38(c))	(2,572)	–	(6,667)	(77)	(14,033)	(23,349)
Disposals	–	–	–	–	(10)	(10)
Written off	–	(30,289)	(6,849)	(63,091)	(708)	(100,937)
Impairment loss	–	17,491	–	–	–	17,491
Adjustment on revaluation	(5,835)	–	–	–	–	(5,835)
Exchange differences	(49)	–	(540)	(518)	(1,028)	(2,135)
At 30 June 2017	–	360,953	8,580	172,463	33,699	575,695
Carrying amount						
At 30 June 2017	**97,125**	**141,546**	**12,850**	**147,488**	**1,913**	**400,922**
At 30 June 2016	285,261	232,208	58	128,329	4,763	650,619

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. 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 2017						
At cost	**–**	**502,499**	**21,430**	**319,951**	**35,612**	**879,492**
At valuation	**97,125**	**–**	**–**	**–**	**–**	**97,125**
	97,125	**502,499**	**21,430**	**319,951**	**35,612**	**976,617**
At 30 June 2016						
At cost	–	573,941	22,174	344,985	53,195	994,295
At valuation	285,261	–	–	–	–	285,261
	285,261	573,941	22,174	344,985	53,195	1,279,556

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

Depreciation charge for the year is analysed as follows:

	2017 HK$'000	2016 HK$'000 (Restated)
Charge to profit or loss	**38,803**	41,901
Capitalised as bearer plants	**4,318**	8,961
Capitalised as biological assets	**18,412**	13,069
	61,533	63,931

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

The carrying amount of the Group's buildings would have been approximately HK$83,147,000 (2016: HK$293,121,000) had they been stated at cost less accumulated depreciation.

At 30 June 2017 the carrying amount of office equipment held by the Group under finance leases amounted to approximately HK$50,000 (2016: HK$76,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

16. FIXED ASSETS *(CONTINUED)*

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

	2017 **HK$'000**	2016 HK$'000
Within one year	**–**	475

For year ended 30 June 2017, the Group reviewed its upstream farming business and other business operations, and changed its business plan in the upstream farming business development. After review, fixed assets of approximately HK$41,153,000 against farmland infrastructure included in the Agri-Products Business segment and cold chain facilities included in the FMCG Trading Business segment and the Logistics Services Business segment of approximately HK$5,320,000 each were written off in profit or loss (included in other operating expenses) during the year.

During the year ended 30 June 2017, the upstream farming business CGU within the Agri-Products Business segment continued to incur operating loss with unsatisfactory performance. The Group reviewed and changed its business plan in the upstream farming business development after consideration of its existing resources and other business development in future. The review led to the recognition of impairment losses of approximately HK$17,491,000, HK$9,226,000 and HK$11,767,000 against fixed assets, prepaid land lease payments and bearer plants respectively in profit or loss (included in other operating expenses). The recoverable amount of the upstream farming business CGU of approximately HK$336,000,000 has been determined on the basis of their value in use using discounted cash flow method. The pre-tax discount rate used was 13.5%.

17. 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.

	HK$'000
At 1 July 2015	264,796
Amortisation for the year	(27,822)
Exchange differences	(3,271)
At 30 June 2016 and 1 July 2016	233,703
Amortisation for the year	(27,661)
Provision	(72,046)
Impairment loss (note 16)	(9,226)
Disposal of subsidiaries (note 38(c))	(27,932)
Exchange differences	(2,159)
At 30 June 2017	**94,679**

For year ended 30 June 2017, the Group reviewed its upstream farming business operations and changed its business plan in the upstream farming business development. After review, provision for prepaid land lease payments included in the Agri-Products Business segment of approximately HK$72,046,000 was made in profit and loss (included in other operating expenses) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

18. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2015	121,088
Additions	31,566
Transfer to fixed assets	(45,562)
Exchange differences	(47)
At 30 June 2016 and 1 July 2016	107,045
Additions	14,391
Transfer to fixed assets	(43,307)
Disposal of subsidiaries (note 38 (c))	(6,151)
Provision	(58,503)
Exchange differences	(204)
At 30 June 2017	**13,271**

For year ended 30 June 2017, the Group reviewed its upstream farming business operations and changed its business plan in the upstream farming business development. After review, provision for construction in progress included in the Agri-Products Business segment of approximately HK$58,503,000 was made in profit and loss (included in other operating expenses) during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

19. BEARER PLANTS

	Fruit trees HK$'000
Infant trees	
Cost	
At 1 July 2015 (As restated)	27,043
Additions (prior year adjustments)	32,274
At 30 June 2016 and 1 July 2016 (As restated)	59,317
Additions	6,634
Transfer to mature trees	(27,400)
At 30 June 2017	38,551
Mature trees	
Cost	
At 1 July 2015, 30 June 2016 and 1 July 2016 (As restated)	46,622
Transfer from infant trees	27,400
At 30 June 2017	74,022
Accumulated depreciation and impairment loss	
At 1 July 2015	–
Charge for the year (prior year adjustments)	2,119
At 30 June 2016 and 1 July 2016 (As restated)	2,119
Charge for the year	3,286
Impairment loss (note 16)	11,767
At 30 June 2017	17,172
Total carrying amount	
At 30 June 2017	**95,401**
At 30 June 2016 (As restated)	103,820
At 1 July 2015 (As restated)	73,665

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

19. BEARER PLANTS *(CONTINUED)*

The quantity of fruit trees owned by the Group at the end of the reporting period is shown below:

	2017	2016
Infant trees	**78,600**	159,600
Mature trees	**208,000**	127,000
	286,600	286,600

20. GOODWILL

	HK$'000
Cost	
At 1 July 2015, 30 June 2016 and 1 July 2016	282,525
Arising on acquisition of subsidiaries (note 38(a) and 38(b))	144,443
At 30 June 2017	426,968
Accumulated impairment	
At 1 July 2015	51,898
Impairment loss recognised in the year	161,582
At 30 June 2016 and 1 July 2016	213,480
Impairment loss recognised in the year	48,100
At 30 June 2017	261,580
Carrying amount	
At 30 June 2017	**165,388**
At 30 June 2016	69,045

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For the year ended 30 June 2017

20. GOODWILL *(CONTINUED)*

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

	2017		
	Allocated goodwill HK$'000	**Accumulated impairment HK$'000**	**Net carrying amount HK$'000**
Provision of securities dealing services ("Securities Dealing CGU")	**1,493**	**–**	**1,493**
Organisation of concert scaled live show presentation ("Live Show CGU")	**142,950**	**(18,289)**	**124,661**
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**	**(29,811)**	**39,234**
	426,968	**(261,580)**	**165,388**

	2016		
	Allocated goodwill HK$'000	Accumulated impairment HK$'000	Net carrying amount HK$'000
Cosmetic CGU	89,472	(89,472)	–
Agri CGU	112,473	(112,473)	–
Logistics CGU	11,535	(11,535)	–
Cold Chain CGU	69,045	–	69,045
	282,525	(213,480)	69,045

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As at 30 June 2017, included in the Securities Dealing CGU is the Stock Exchange trading rights with indefinite useful lives of approximately HK$8,300,000 (2016: Nil).

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For the year ended 30 June 2017

20. GOODWILL *(CONTINUED)*

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Budgeted gross margin and turnover are based on past practices and expectations on market development.

For Securities Dealing CGU and Cold Chain CGU, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2016: 3% for all CGU). This rate does not exceed the average long-term growth rate for the relevant markets. For Live Show CGU, the Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next 3.5 years, which is the remaining useful life of the live show licensed right included in the Live Show CGU.

The pre-tax rate used to discount the forecast cash flows from the Group's Securities Dealing CGU, Live Show CGU, and Cold Chain CGU are 17.05%, 29.02% and 12.47% respectively (2016: 13.18%, 13.2%, 13.44% and 12% for Cosmetic CGU, Agri CGU, Logistics CGU and Cold Chain CGU respectively).

At 30 June 2017, before impairment testing, goodwill of approximately HK$69,045,000 allocated to the Cold Chain CGU within the FMCG Trading Business segment. During the year, due to the slowing down of the overall PRC economy, the increase in the import costs of consumables goods into the PRC by the weakening of the RMB, which reduced the overall demand to the cold chain products which the Group is trading, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable amount of approximately HK$61,556,000 and an impairment loss of approximately HK$29,811,000 on goodwill was recognised (included in other operating expenses).

At 30 June 2017, before impairment testing, goodwill of approximately HK$142,950,000 allocated to the Live Show CGU within the other segment. Due to the decline in expected income and revision of certain expected expenses of the scheduled live shows subsequently held in Macau in August 2017, the management has accordingly revised its best estimation for the profit forecast. The recoverable amount of the Live Show CGU was thus reduced to approximately HK$168,000,000 and an impairment loss of approximately HK$18,289,000 on goodwill was recognized (included in other operating expenses).

In 2016, due to the slowing down of the overall PRC economy, the increase in the import costs of consumables goods into the PRC by the weakening of the RMB, which reduced the overall demand to the consumables goods which the Group is trading, the Group has revised its cash flow forecasts for the above CGUs and impairment loss of approximately HK$161,582,000 (included in other operating expenses) was recognised to write down the goodwill allocated to the following CGUs:

	2016 HK$'000
Cosmetic CGU	84,682
Agri CGU	65,365
Logistics CGU	11,535
	161,582

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21. OTHER INTANGIBLE ASSETS

	The Stock Exchange trading right HK$'000	Licensed right HK$'000	Money lender license HK$'000	Distribution rights HK$'000	Total HK$'000
Cost					
At 1 July 2015	–	–	–	116,689	116,689
Additions	–	–	–	46,800	46,800
Retirement	–	–	–	(20,000)	(20,000)
At 30 June 2016 and 1 July 2016	–	–	–	143,489	143,489
Acquisition of subsidiaries (note 38(a) and 38(b))	8,300	44,371	–	–	52,671
Additions	–	–	374	27,778	28,152
Retirement	–	–	–	(25,000)	(25,000)
At 30 June 2017	8,300	44,371	374	146,267	199,312
Accumulated amortisation and impairment					
At 1 July 2015	–	–	–	44,256	44,256
Amortisation for the year	–	–	–	21,167	21,167
Retirement	–	–	–	(20,000)	(20,000)
At 30 June 2016 and 1 July 2016	–	–	–	45,423	45,423
Amortisation for the year	–	1,032	–	21,518	22,550
Retirement	–	–	–	(25,000)	(25,000)
At 30 June 2017	–	1,032	–	41,941	42,973
Carrying amount					
At 30 June 2017	**8,300**	**43,339**	**374**	**104,326**	**156,339**
At 30 June 2016	–	–	–	98,066	98,066

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21. OTHER INTANGIBLE ASSETS *(CONTINUED)*

The Stock Exchange trading right of approximately HK$8,300,000 (2016: Nil) at 30 June 2017 is assessed as having indefinite useful life because there is no time limit that the Group can carry out the dealing in securities activities in the Stock Exchange. The Group's money lender license of approximately HK$374,000 (2016: Nil) at 30 June 2017 is assessed as having indefinite useful life as the future renewal cost to maintain the license is insignificant.

The licensed right and distribution rights included above have finite useful lives, over which the assets are amortised.

The Group acquired an exclusive right to exploit the Ultraman character in connection with the live show and the right to produce and sell certain merchandizing goods in connection with the live show in the territory of Hong Kong, Macau and Taiwan. The carrying amount of the licensed right at 30 June 2017 approximates to HK$43,339,000 (2016: Nil). The remaining amortisation period is 3.5 years (2016: Nil). The amortisation for the year of approximately HK$1,032,000 (2016: Nil) is included in administrative expenses.

The Group acquired rights for distribution of certain packaged food and drinks and fresh fruit products in Hong Kong, Macau and the PRC. The carrying amount of distribution rights at 30 June 2017 approximates to HK$104,326,000 (2016: HK$98,066,000). The average remaining amortisation period for these distribution rights is 3.9 years (2016: 4.8 years). The amortisation for the year is included in cost of sales of approximately HK$17,618,000 (2016: HK$17,167,000) and selling and distribution expenses of approximately HK$3,900,000 (2016: HK$4,000,000).

22. OTHER ASSETS

	2017	2016
	HK$'000	HK$'000
Prepayment for fixed assets	**1,201**	–
Prepaid operating leases for pack houses facilities	**19,058**	6,058
Prepaid operating leases for logistics license and resources	**23,148**	10,000
Plantation costs	**–**	66,495
Other deposits	**230**	–
Other receivable	**205**	430
	43,842	82,983

For year ended 30 June 2017, the Group reviewed its upstream farming business operations and changed its business plan in the upstream farming business and overall development. After review, provision for plantation costs included in the Agri-Products Business segment of approximately HK$66,495,000 was made in profit or loss (included in other operating expenses) during the year.

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23. INVESTMENT IN A JOINT VENTURE

	2017 HK$'000	2016 HK$'000
Unlisted investments:		
Share of net liabilities	(51,586)	(39,189)
Goodwill	65,221	65,221
Loan to the joint venture	47,200	47,200
	60,835	73,232
Impairment losses	(44,486)	–
	16,349	73,232

Details of the Group's joint venture at 30 June 2017 are as follows:

Name	Place of incorporation	Issued and paid up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Waygood	Hong Kong	Ordinary HK$1,000,000	50%	Operation of a department store (Indirectly)

The Group carried out review of the recoverable amount of its investment in Waygood in 2017, having regard to the decline in the revenue of Waygood and losses were incurred for the past two years. The review led to the recognition of an impairment loss of approximately HK$44,486,000 that have been recognised in profit or loss (included in other operating expenses). The recoverable amount of approximately HK$16,349,000 has been determined on the basis of their value in use using discounted cash flow method. The pre-tax discount rate used was 19.36%.

The following table shows the Group's share of the amount of joint venture that is accounted for in the consolidated financial statements using the equity method.

	2017 HK$'000	2016 HK$'000
At 30 June:		
Carrying amount of interests	16,349	73,232
Year ended 30 June:		
Loss from continuing operations	(12,397)	(8,564)
Other comprehensive income	–	–
Total comprehensive income	(12,397)	(8,564)

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24. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2016: HK$108,000) at 30 June 2017 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

	2017 HK$'000	2016 HK$'000
Non-current assets		
Available-for-sale financial assets, at fair value		
– listed debt securities in Hong Kong	**12,037**	12,118
– listed debt securities outside Hong Kong	**9,308**	14,750
	21,345	26,868
Current assets		
Available-for-sale financial assets, at fair value		
– listed debt securities outside Hong Kong	**5,759**	–
– unlisted debt securities	**7,021**	–
	12,780	–
Financial assets at fair value through profit or loss		
– listed equity securities in Hong Kong, at fair value	**198**	178
Held-to-maturity investments		
– listed debt securities in Hong Kong	**–**	17,304
	12,978	17,482

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25. INVESTMENTS *(CONTINUED)*

The fair value of the listed equity/debt securities is based on quoted closing price at the end of reporting period. The fair value of unlisted debt securities is based on the quoted closing price from the financial institution at the end of the 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 investments are denominated in the following currencies:

	2017	2016
	HK$'000	HK$'000
HKD	**198**	178
USD	**28,366**	20,992
RMB	**5,759**	23,180
	34,323	44,350

At 30 June 2016, the held-to-maturity investments represented debt securities where the interest payments were fixed at 4.70% and 5.88% per annum and matured on 15 January 2017 and 16 January 2017 respectively. The carrying amount of the above held-to-maturity investments was stated at amortised cost. The fair value of debt securities at 30 June 2016 amounted to approximately HK$17,189,000, based on quoted closing price at the end of the reporting period.

At 30 June 2017, the available-for-sale financial assets and held-to-maturity investments of approximately HK$34,125,000 (2016: HK$44,172,000) have been pledged to a bank to secure the banking facilities granted to the Group (note 39).

None of these debt securities is either past due or impaired at the end of the reporting period.

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For the year ended 30 June 2017

26. BIOLOGICAL ASSETS

	HK$'000
At 1 July 2015	
As previously reported	77,381
Prior year adjustments	(73,665)
As restated	3,716
Increase due to cultivation	28,120
Change in fair value due to biological transformation (note (a))	(8,257)
Transfer of harvested fresh fruit bunches to inventories	(12,466)
Exchange difference	(233)
At 30 June 2016	10,880
At 1 July 2016	
As previously reported	**90,466**
Prior year adjustments	**(79,586)**
As restated	**10,880**
Increase due to cultivation	**35,672**
Change in fair value due to biological transformation (note (a))	**(13,792)**
Transfer of harvested fresh fruit bunches to inventories	**(12,251)**
Exchange difference	**(90)**
At 30 June 2017	**20,419**

Notes:

(a) During the year, the Group harvested 5,667,000 (2016: 6,595,000) catties of fruits. The directors measured the fair value less costs to sell of fruits at harvest based on market prices as at or close to the harvest dates.

(b) Cultivation costs incurred as addition to the biological assets. All fruits are harvested annually from September to February. After the harvest, plantation works commenced again on the farmland. The directors considered that there was no active market for the fruits before harvest at the end of the reporting period. The present value of expected cash flows was not considered as a reliable measure of their fair value due to the need for, and use of, subjective assumptions including weather condition, natural disaster and effectiveness of agricultural chemicals. As such, the directors considered that the fair value of biological assets at the end of the reporting period could not be measured reliably and no reliable alternative estimates existed to determine fair value. Therefore, biological assets continued to be stated at cost as at 30 June 2016 and 2017.

(c) The carrying value of biological assets as at 30 June 2016 and 2017 represented cultivation costs incurred including fertilisers, pesticides, labour, amortisation of prepaid land lease payment of farmland, depreciation of farmland infrastructure and depreciation of bearer plants.

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26. BIOLOGICAL ASSETS *(CONTINUED)*

Included in increase to the Group's biological assets are mainly depreciation of fixed assets, depreciation of bearer plants, operating lease charges in respect of land and buildings and sub-contracting raising cost of approximately HK$18,412,000 (2016: HK$13,069,000 as restated), HK$3,286,000 (2016: HK$2,119,000 as restated), HK$3,547,000 (2016: HK$2,138,000 as restated) and HK$2,877,000 (2016: HK$2,196,000 as restated) respectively.

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

	Citrus trees (Chinese Mu)
2017	**5,000**
2016	5,000

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

	2017	2016
Quantity		
Citrus (catty '000)	**5,667**	6,595
	HK$'000	HK$'000
Amount		
Citrus	**12,251**	12,466

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 plums, citrus and oranges. 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 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.

The fruit plantation business requires a high level of cash flow before fruit can be harvested and sold. The Group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

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27. INVENTORIES

	2017	2016
	HK$'000	HK$'000
Raw materials	**163**	119
Packing materials	**221**	160
Finished goods	**158,106**	199,199
	158,490	199,478

28. TRADE RECEIVABLES

	2017	2016
	HK$'000	HK$'000
Trade receivables arising from		
Trading	**369,780**	431,980
Dealing in securities		
– Cash clients	**23,688**	–
	393,468	431,980
Allowance for doubtful debts	**(418)**	–
	393,050	431,980

Reconciliation of allowance for trade receivables arising from trading:

	2017	2016
	HK$'000	HK$'000
At 1 July	**–**	–
Allowance for the year	**418**	–
At 30 June	**418**	–

For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 150 days (2016: 30 to 120 days).

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28. TRADE RECEIVABLES *(CONTINUED)*

The aging analysis of trade receivables arising from trading, net of allowance for bad and doubtful debts, based on the date of recognition of the sale, is as follows:

	2017 **HK$'000**	2016 HK$'000
1 – 30 days	**87,716**	127,423
31 – 60 days	**73,432**	107,501
61 – 90 days	**76,122**	109,206
Over 90 days	**132,092**	87,850
	369,362	431,980

Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$7,455,000 (2016: Nil) represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the end of the reporting year. Such cash client receivable is considered as past due when the client fails to settle her securities trading balances on the settlement date. At 30 June 2017, cash client receivables of approximately HK$14,348,000 (2016: Nil) were past due but not impaired. These past due cash client receivables were substantially settled after the year ended date. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of these trade receivables arising from dealing in securities.

At 30 June 2017, trade receivables arising from trading of approximately HK$5,932,000 (2016: HK$2,635,000) 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 amounts had been substantially settled subsequent to the reporting period. The aging analysis of these trade receivables is as follows:

	2017 **HK$'000**	2016 HK$'000
Up to 90 days	**4,497**	1,085
Over 90 days	**1,435**	1,550
	5,932	2,635

As at 30 June 2017, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2016: Nil). Other trade receivables are unsecured and interest-free.

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For the year ended 30 June 2017

29. PLEDGED BANK DEPOSITS, CLIENT TRUST BANK BALANCES 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 39).

At 30 June 2017, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$336,297,000 (2016: HK$184,363,000). 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.

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' monies arising from normal courses of dealing in securities business. The Group is not allowed to use clients' monies to settle its own obligations.

30. TRADE PAYABLES

	2017	2016
	HK$'000	HK$'000
Trade payables arising from		
Trading	**99,022**	106,065
Dealing in securities		
– Cash clients	**11,498**	–
– Clearing house	**4,862**	–
	115,382	106,065

The trade payables to cash clients arising from dealing in securities are repayable on demand. The Group has a practice to satisfy all the requests for payment within one business day. Trade payable to clearing house arising from dealing in securities represents unsettled trades on various securities exchanges transacted on the last two business days prior to the end of the reporting year. No aging analysis is disclosed as, in the opinion of the directors, the aging analysis does not give additional value in view of the nature of these businesses.

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

	2017	2016
	HK$'000	HK$'000
1 – 30 days	**75,831**	96,823
31 – 60 days	**23,062**	6,685
61 – 90 days	**3**	1,542
Over 90 days	**126**	1,015
	99,022	106,065

Trade payables to cash clients arising from dealing in securities also include those payables where the corresponding clients' monies are placed in trust and segregated accounts with authorised financial institutions of approximately HK$7,333,000 (2016: Nil).

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31. BORROWINGS

	2017 **HK$'000**	2016 HK$'000
Bank loans, secured (note 39)	**33,326**	61,342

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:

	2017	2016
Bank loans	**1.75% to 2.14% p.a.**	1.61% to 2.76% p.a.

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

32. FINANCE LEASE PAYABLES

	Minimum lease payments		**Present value of minimum lease payments**	
	2017 **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Within one year	**18**	18	**17**	16
In the second to fifth years, inclusive	**18**	36	**16**	33
	36	54	**33**	49
Less: Future finance charges	**(3)**	(5)	**–**	–
Present value of lease payables	**33**	49	**33**	49
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(17)**	(16)
Amount due for settlement after 12 months			**16**	33

It is the Group's policy to lease certain of its office equipment under finance leases. The lease term is 5 years (2016: 5 years). For the year ended 30 June 2017, the effective borrowing rate was 6% (2016: 6%). 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.

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33. DEFERRED TAX

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

Deferred tax liabilities

	Revaluation of buildings and accelerated tax depreciation HK$'000	Fair value difference of other intangible assets HK$'000	Total HK$'000
At 1 July 2015	6,720	–	6,720
Charge to profit or loss for the year (note 11)	343	–	343
Charge to other comprehensive income for the year	(142)	–	(142)
Exchange differences	(398)	–	(398)
At 30 June 2016 and 1 July 2016	6,523	–	6,523
Acquisitions of subsidiaries (note 38(a) and 38(b))	–	8,608	8,608
Charge to profit or loss for the year (note 11)	330	(169)	161
Charge to other comprehensive income for the year	3	–	3
Exchange differences	(147)	–	(147)
At 30 June 2017	**6,709**	**8,439**	**15,148**

Deferred tax asset

	Tax losses HK$'000
At 1 July 2015, 30 June 2016 and 1 July 2016	–
Acquisition of subsidiaries (note 38(a))	789
Credit to profit or loss for the year (note 11)	479
At 30 June 2017	**1,268**

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

	2017 HK$'000	2016 HK$'000
Prepaid land lease payments	**4,487**	8,094
Revaluation of buildings	**–**	45,649
Decelerated tax depreciation	**4,777**	10,203
Unused tax losses	**76,747**	113,198
	86,011	177,144

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$41,975,000 (2016: HK$65,274,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

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34. SHARE CAPITAL

	Note	Number of shares	Amount HK$'000
Authorised:			
At 1 July 2015, ordinary shares of HK$0.01 each		10,000,000,000	100,000
Share consolidation	(a)	(9,000,000,000)	–
At 30 June 2016, ordinary shares of HK$0.1 each		1,000,000,000	100,000
Additions	(b)	9,000,000,000	900,000
At 30 June 2017, ordinary shares of HK$0.1 each		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 July 2015		6,554,451,069	65,545
Shares issued for acquisition of subsidiaries	(c)	949,029,850	9,490
Share consolidation	(a)	(6,753,132,828)	–
Share issued upon placing	(d)	150,000,000	15,000
At 30 June 2016 and 1 July 2016		900,348,091	90,035
Rights issue	(e)	900,348,091	90,035
At 30 June 2017		**1,800,696,182**	**180,070**

Notes:

(a) Pursuant to an ordinary resolution passed by shareholders at the annual general meeting, the share consolidation of every ten issued and unissued shares of HK$0.01 each into one consolidated share of HK$0.1 each became effective on 30 December 2015.

(b) Pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting on 23 November 2016, the authorised share capital of the Company increased from HK$100,000,000 divided into 1,000,000,000 shares of HK$0.1 each to HK$1,000,000,000 divided into 10,000,000,000 of HK$0.1 each by creation of additional 9,000,000,000 unissued shares of HK$0.1 each.

(c) On 18 November 2015, 949,029,850 new ordinary shares of the Company were issued as the consideration for acquisition of subsidiaries. The premium on the issue of shares of approximately HK$63,585,000 was credited to the Company's share premium accounts.

(d) On 4 May 2016, the Company and Sino Wealth Securities Limited entered into a placing agreement in respect of the placing of 150,000,000 ordinary shares of HK$0.1 each to independent placees of HK$0.34 per share. The closing price per share on the Stock Exchange on the date of the placing agreement was HK$0.375. The placing was completed on 17 May 2016 and the net price was approximately HK$0.33 per share. The premium on the issue of shares of approximately HK$34,847,000, net of share issue expenses of approximately HK$1,153,000, was credited to the Company's share premium accounts.

(e) On 11 January 2017, 900,348,091 ordinary shares of HK$0.1 each of the Company were issued at HK$0.24 per share by way of rights issue. The gross proceeds of approximately HK$216,084,000 are intended for the business development 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$117,147,000, was credited to the share premium account.

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 2016 and 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

34. SHARE CAPITAL *(CONTINUED)*

Capital management *(Continued)*

The only externally imposed capital requirement for the Company to maintain its listing status on the main board of the Stock Exchange is that it has to have a public float of at least 25% of the shares. The Company receives a report from the share registrars on substantial share interests and it demonstrates continuing compliance with the 25% limit throughout the year. As at 30 June 2017, over 25% (2016: over 25%) of the shares were in public hands.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 **HK$'000**	2016 HK$'000
ASSETS		
Non-current assets		
Fixed assets	**1**	3
Investment in a subsidiary	**47,780**	47,780
	47,781	47,783
Current assets		
Prepayment, deposits and other receivables	**181**	503
Due from a subsidiary	**2,026,626**	2,469,547
Bank and cash balances	**216,220**	10,922
	2,243,027	2,480,972
TOTAL ASSETS	**2,290,808**	2,528,755
EQUITY AND LIABILITIES		
Share capital	**180,070**	90,035
Reserves	**2,088,452**	2,419,234
Total equity	**2,268,522**	2,509,269
Current liabilities		
Accruals and other payables	**2,286**	1,486
Borrowings	**20,000**	18,000
	22,286	19,486
TOTAL EQUITY AND LIABILITIES	**2,290,808**	2,528,755

Approved by the Board of Directors on 22 September 2017 and are signed on its behalf by:

LAM Kwok Hing
Chairman

CHAN Cheuk Yu Stephen
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

36. 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.

(b) Company

	Share premium account HK$'000	Share-based payment reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000
At 1 July 2015	2,201,195	18,670	178,742	2,398,607
Loss for the year	–	–	(77,805)	(77,805)
Acquisition of subsidiaries	63,585	–	–	63,585
Share issued upon placing	34,847	–	–	34,847
Transfer of reserve upon lapse of share options	–	(2,011)	2,011	–
At 30 June 2016	2,299,627	16,659	102,948	2,419,234
At 1 July 2016	**2,299,627**	**16,659**	**102,948**	**2,419,234**
Loss for the year	**–**	**–**	**(455,575)**	**(455,575)**
Rights issue	**117,147**	**–**	**–**	**117,147**
Recognition of equity-settled share-based payments	**–**	**7,646**	**–**	**7,646**
Transfer of reserve upon lapse of share options	**–**	**(2,047)**	**2,047**	**–**
At 30 June 2017	**2,416,774**	**22,258**	**(350,580)**	**2,088,452**

(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(d) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

36. RESERVES *(CONTINUED)*

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

(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(v) to the consolidated financial statements.

(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(e) 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(m)(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.

37. 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 Board may determine the exercise price of the share options provided that the exercise price so fixed shall be at least the highest of the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and the nominal value of the shares of the Company.

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 2017

37. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

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

Name or category of participants	Number of share options: At 1 July 2016	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2017	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	3,120,000*	–	–	–	3,120,000	16 January 2015	16 January 2015 to 15 January 2020	0.879*
Ms. Gao Qin Jian	3,120,000*	–	–	–	3,120,000	16 January 2015	16 January 2015 to 15 January 2020	0.879*
Independent non-executive directors								
Mr. John Handley	2,080,000*	–	–	(2,080,000)	–	16 January 2015	16 January 2015 to 15 January 2020	0.879*
Mr. Poon Yiu Cheung, Newman	1,560,000*	–	–	–	1,560,000	16 January 2015	16 January 2015 to 15 January 2020	0.879*
Ms. Mak Yun Chu	2,080,000*	–	–	–	2,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879*
Employees (in aggregate)	8,216,000*	–	–	–	8,216,000	16 January 2015	16 January 2015 to 15 January 2020	0.879*
Other eligible participants (in aggregate)	–	72,000,000	–	–	72,000,000	23 January 2017	23 January 2017 to 22 January 2022	0.290
	1,388,885#	–	–	(1,388,885)	–	15 June 2011	1 January 2012 to 31 December 2016	5.720
	1,444,440*##	–	–	–	1,444,440	15 June 2011	1 January 2013 to 31 December 2017	5.500*
	28,080,000*	–	–	–	28,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879*
	51,089,325	72,000,000	–	(3,468,885)	119,620,440			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

37. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

	Number of share options							
Name or category of participants	At 1 July 2015	Granted during the year	Exercised during the year	Lapsed during the year	At 30 June 2016	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	3,000,000**	–	–	–	3,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914**
Ms. Gao Qin Jian	3,000,000**	–	–	–	3,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914**
Non-executive directors								
Ms. Chan Yuk, Foebe	2,083,328**	–	–	(2,083,328)	–	15 June 2011	15 June 2011 to 14 June 2016	5.720**
Independent non-executive directors								
Mr. John Handley	2,000,000**	–	–	–	2,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914**
Mr. Poon Yiu Cheung, Newman	1,500,000**	–	–	–	1,500,000	16 January 2015	16 January 2015 to 15 January 2020	0.914**
Ms. Mak Yun Chu	2,000,000**	–	–	–	2,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914**
Employees (in aggregate)	8,000,000**	–	–	(100,000)	7,900,000	16 January 2015	16 January 2015 to 15 January 2020	0.914**
Other eligible participants (in aggregate)	2,083,328**	–	–	(2,083,328)	–	15 June 2011	15 June 2011 to 14 June 2016	5.720**
	1,388,885*#	–	–	–	1,388,885#	15 June 2011	1 January 2012 to 31 December 2016	5.720**
	1,388,885**##	–	–	–	1,388,885##	15 June 2011	1 January 2013 to 31 December 2017	5.720**
	27,000,000**	–	–	–	27,000,000	16 January 2015	16 January 2015 to 15 January 2020	0.914**
	53,444,426	–	–	(4,266,656)	49,177,770			

* The number of share options and exercise prices have been adjusted to reflect the rights issue during the year ended 30 June 2017.

** The number of share options and exercise prices have been adjusted to reflect the share consolidation during the year ended 30 June 2016.

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 23 January 2017 was HK$0.260 per share. The exercise price of the share options is subject to adjustment in the case of bonus issue, open offer, share consolidation or other similar changes in the Company's share capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

37. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

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

	2017		2016	
	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	**51,089,325***	**1.1353***	53,444,426**	1.538**
Granted during the year	**72,000,000**	**0.29**	–	–
Exercised during the year	**–**	**–**	–	–
Lapsed during the year	**(3,468,885)**	**2.8173**	(4,266,656)	5.6074
Outstanding at the end of the year	**119,620,440**	**0.5803**	49,177,770	1.1855
Exercisable at the end of the year	**119,620,440**		49,177,770	

* The number of share options and exercise prices has been adjusted to reflect the rights issue during the year ended 30 June 2017.

** The number of share options and exercise prices has been adjusted to reflect the share consolidation during the year ended 30 June 2016.

The options outstanding at the end of the year have a weighted average remaining contractual life of 3.74 years (2016: 3.4 years) and the exercise prices range from HK$0.290 to HK$5.500 (2016: HK$0.9140 to HK$5.720). In 2017, options were granted on 23 January 2017. The estimated fair value of the options on this date is approximately HK$7,646,000.

These fair values were calculated using the Black-Scholes pricing model. The inputs into the model are as follows:

Weighted average share price	HK$0.29
Weighted average exercise price	HK$0.29
Expected volatility	66.15%
Expected life	2 years
Risk free rate	0.954%
Expected dividend yield	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 2 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

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.

At 30 June 2017, the Company had 119,620,440 (2016: 49,177,770) 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 119,620,440 (2016: 49,177,770) additional ordinary shares and additional share capital of approximately HK$11,962,000 (2016: HK$4,918,000) and share premium of approximately HK$57,451,000 (2016: HK$53,380,000) (before share issue expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of Sino Wealth Finance Holdings Limited

On 10 March 2017, the Group acquired 100% of the issued share capital of Sino Wealth Finance Holdings Limited and its subsidiaries (collectively referred to as "Sino Wealth Group") at a consideration of approximately HK$21,580,000. Sino Wealth Group was engaged in securities brokerage business. The acquisition is for the purpose of diversifying the Group's business and providing an opportunity for the Group to tap into the business of financial services industry in Hong Kong.

The fair value of the identifiable assets and liabilities of Sino Wealth Group acquired as at the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Fixed assets	647
Other intangible asset	8,300
Deferred tax assets	789
Cash client receivable	9,001
Due from the immediate holding company	8
Prepayments, deposits and other receivables	1,529
Client trust bank balances	16,882
Bank and cash balances	2,295
Cash client payable	(18,038)
Accruals and other payables	(39)
Deferred tax liabilities	(1,287)
	20,087
Goodwill	1,493
	21,580
Satisfied by:	
Cash	21,572
Assignment of loan to the Group	8
Total consideration	21,580
Net cash outflow arising on acquisition:	
Cash consideration paid	21,572
Cash and cash equivalents acquired	(2,295)
	19,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(a) Acquisition of Sino Wealth Finance Holdings Limited *(Continued)*

The fair value of the cash client receivable acquired is approximately HK$9,001,000. The gross amount due under the contracts is approximately HK$9,001,000, of which none of them is expected to be uncollectible.

Acquisition-related costs of approximately HK$571,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 30 June 2017.

Sino Wealth Group contributed approximately HK$1,634,000 and HK$929,000 to the Group's revenue and loss for the year respectively for the period between the date of acquisition and the end of the reporting period. If the acquisition had been completed on 1 July 2016, total Group revenue for the year would have been approximately HK$1,228,348,000, and loss for the year would have been approximately HK$417,256,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2016, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Sino Wealth Group is attributable to the diversification of the Group's income stream and developing of the Group's revenue and earning sources in the financial services industry in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(b) Acquisition of Moon Concept Limited

On 1 June 2017, the Group acquired 100% of the issued share capital of Moon Concept Limited ("Moon Concept") at a consideration of HK$180,000,000. Moon Concept was engaged in organising concert scaled live show presentation. The acquisition is for the purpose of diversifying the Group's business, broadening the Group's income sources and enhancing its financial performance.

The fair value of the identifiable assets and liabilities of Moon Concept acquired as at the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Other intangible asset	44,371
Deferred tax liabilities	(7,321)
	37,050
Goodwill	142,950
	180,000
Satisfied by:	
Cash	28,000
Consideration payable	152,000
Total consideration	180,000
Net cash outflow arising on acquisition	
Cash consideration paid	28,000

Acquisition-related costs of approximately HK$1,733,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 30 June 2017.

The goodwill arising on the acquisition of Moon Concept is attributable to the diversification of the Group's income stream and broadening of the Group's revenue and earning sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(c) Disposal of Sino Combo International Limited

On 26 June 2017, the Group disposed 100% of the issued share capital of Sino Combo International Limited ("Sino Combo") and Sino Combo's subsidiary and the shareholder's loan owing by Sino Combo to the Group of approximately HK$268,228,000 at a consideration of HK$200,000,000.

Net assets at the date of disposal were as follows:

	HK$'000
Fixed assets	**166,945**
Construction in progress	**6,151**
Prepaid land lease payments	**27,932**
Prepayments and other assets	**411**
Cash and bank balances	**1,827**
Net assets disposed of	**203,266**
Release of foreign currency translation reserve	**(51,375)**
Gain on disposal of subsidiaries	**48,109**
Total consideration	**200,000**
Satisfied by:	
Cash	**200,000**
Net cash inflow arising on disposal	
Cash consideration received	**200,000**
Cash and cash equivalents disposed of	**(1,827)**
	198,173

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(d) Acquisition of Best Title Global Limited

On 18 November 2015, the Group acquired 100% of the issued share capital of Best Title Global Limited ("Best Title") and the shareholder loan owing by Best Title to the vendor of approximately HK$39,781,000 (the "Shareholder Loan") by allotment of 949,029,850 consideration shares. Best Title was principally engaged in investment holding, and it held 81% equity interest of Modern Tech Limited ("Modern Tech"), which in turn held 50% equity interest and voting rights of Waygood under the shareholder agreement. Waygood is engaged in operation of a department store in Hong Kong.

The fair value of the identifiable assets and liabilities of Best Title acquired as at the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Fixed assets	3
Investment in the joint venture	34,596
Loan to the joint venture	47,200
Bank and cash balances	3
Other payables	(48,798)
	33,004
Non-controlling interests	290
	33,294
Satisfied by:	
Consideration shares allotment	73,075
Less: Fair value of the Shareholder Loan acquired	(39,781)
	33,294
Net cash outflow arising on acquisition:	
Cash consideration paid	–
Cash and cash equivalents acquired	3
	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

39. BANKING FACILITIES

At 30 June 2017, 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, and a charge over the Group's available-for-sale financial assets (note 25). At 30 June 2016, 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, and a charge over the Group's available-for-sale financial assets and held-to-maturity investments (note 25).

40. CONTINGENT LIABILITIES

At 30 June 2017, the Group did not have any significant contingent liabilities (2016: HK$Nil).

41. CAPITAL COMMITMENTS

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

	2017 **HK$'000**	2016 HK$'000
Contracted but not provided for		
– Fixed assets	**9,687**	7,059
– Construction in progress	**12,920**	33,129
– Seedling plantation	**1,724**	4,353
	24,331	44,541

42. OPERATING LEASE COMMITMENTS

At 30 June 2017, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**3,515**	2,658
In the second to fifth years, inclusive	**16,967**	1,815
	20,482	4,473

Leases are negotiated for terms ranged from 1 to 3 years, 6 years and 10 to 20 years for office premises, storage premise in the PRC and farmland in the PRC respectively and rental are fixed over the lease terms and do not include contingent rentals.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

43. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2017 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
Best Title	BVI	Ordinary US$100	100%	Investment holding
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
Moon Concept	HK	Ordinary HK$100	100%	Organising concert scaled live show presentation
Modern Tech	HK	Ordinary HK$10,000	81%	Investment holding
New Sino International Ltd.	BVI	Ordinary US$10,000	100%	Operator of overseas packing houses and PRC distribution depots

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

43. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Particulars of the principal subsidiaries as at 30 June 2017 are as follows: *(Continued)*

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Nexus Logistics Development Limited	BVI	Ordinary US$100	100%	Provision of logistics and transportation services
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
Sino Wealth Finance Holdings Limited	BVI	Ordinary US$2,000	100%	Investment holding
Sino Wealth Securities Limited	HK	Ordinary HK$40,000,000	100%	Provision of securities brokerage services
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
上海士豐實業有限公司*	PRC	US$10,100,000	100%	Owner and operator of Shanghai logistics centre
惠東縣裕盛農業有限公司**/#	PRC	HK$7,666,069	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 2017.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

43. 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 2017, the bank and cash of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$336,297,000 (2016: HK$184,363,000). 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.

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				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Loss attributable to:					
Owners of the Company	**(405,546)**	(248,731)	(73,241)	(681,635)	(179,185)
Non-controlling interests	**(11,317)**	(1,729)	(42)	(792)	(39,514)
Loss for the year	**(416,863)**	(250,460)	(73,283)	(682,427)	(218,699)

ASSETS, LIABILITIES AND EQUITY

	At 30 June				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000	HK$'000
Total assets	**2,621,586**	2,736,271	3,092,152	2,930,049	3,654,490
Total liabilities	**(365,820)**	(204,202)	(214,030)	(206,494)	(223,379)
Total non-controlling interests	**12,757**	1,434	(574)	(616)	(697)
Total equity attributable to owners of the Company	**2,268,523**	2,533,503	2,877,548	2,722,939	3,430,414

Note: The results of the Group for the four years ended 30 June 2013, 2014, 2015 and 2016 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 2017 and the assets, liabilities and equity of the Group as at 30 June 2017 are those set out in page 37 and pages 39 to 40 of the consolidated financial statements, respectively.