Interim Report
2018/2019

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)

The board (the "Board") of directors (the "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2018 (the "Period") together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

	Note	Six months ended 31 December 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
TURNOVER	3	**455,024**	495,817
Cost of sales		**(413,657)**	(452,833)
GROSS PROFIT		**41,367**	42,984
Changes in fair value due to biological transformation		**(8,956)**	(9,488)
Other gains and income		**7,356**	4,822
Selling and distribution expenses		**(33,091)**	(36,307)
Administrative expenses		**(46,349)**	(49,088)
Other operating expenses		**(8,378)**	–
LOSS FROM OPERATIONS		**(48,051)**	(47,077)
Finance costs	5	**(21)**	(19)
Share of gain/(loss) of a joint venture		**681**	(2,499)
Loss on disposal of a subsidiary		**–**	(272)
LOSS BEFORE TAX		**(47,391)**	(49,867)
Income tax credit	6	**289**	602
LOSS FOR THE PERIOD	7	**(47,102)**	(49,265)
Attributable to:			
Owners of the Company		**(47,089)**	(48,799)
Non-controlling interests		**(13)**	(466)
		(47,102)	(49,265)
LOSS PER SHARE	9		
– Basic		**HK(2.51 cents)**	HK(2.70 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the Period	**(47,102)**	(49,265)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(31,297)**	12,420
Fair value change on available-for-sale financial assets	**–**	(210)
Fair value change on financial assets at fair value through other comprehensive income	**(49)**	–
Revaluation reserve of financial assets at fair value through other comprehensive income reclassified to profit or loss upon disposal	**312**	–
Other comprehensive income for the Period, net of tax	**(31,034)**	12,210
Total comprehensive income for the Period	**(78,136)**	(37,055)
Attributable to:		
Owners of the Company	**(78,123)**	(36,589)
Non-controlling interests	**(13)**	(466)
	(78,136)	(37,055)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
ASSETS			
Non-current assets			
Fixed assets		**331,012**	361,623
Prepaid land lease payments		**95,689**	84,576
Construction in progress		**38,718**	34,861
Bearer plants		**96,483**	98,690
Goodwill		**24,481**	20,957
Other intangible assets		**76,920**	84,307
Other assets		**25,554**	55,936
Investment in a joint venture		**681**	–
Investment in a club membership		**108**	108
Investments	10	**205,491**	12,688
Deferred tax assets		**2,201**	1,769
		897,338	755,515
Current assets			
Biological assets		**32,603**	29,127
Inventories		**140,455**	157,579
Trade receivables	11	**334,356**	347,490
Prepayments, deposits and other receivables		**178,133**	167,027
Investments	10	**6,641**	21,878
Pledged bank deposits		**25,000**	25,000
Client trust bank balances		**6,564**	3,932
Bank and cash balances		**589,699**	779,170
		1,313,451	1,531,203
TOTAL ASSETS		**2,210,789**	2,286,718

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2018

	Note	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	13	**187,270**	187,270
Reserves		**1,893,103**	1,976,150
		2,080,373	2,163,420
Non-controlling interests		**(16,893)**	(15,865)
Total equity		**2,063,480**	2,147,555
Non-current liabilities			
Deferred tax liabilities		**9,913**	9,210
Current liabilities			
Trade payables	12	**87,715**	90,953
Accruals and other payables		**34,280**	21,940
Borrowings		**15,025**	16,012
Finance lease payables		**7**	16
Current tax liabilities		**369**	1,032
		137,396	129,953
Total liabilities		**147,309**	139,163
TOTAL EQUITY AND LIABILITIES		**2,210,789**	2,286,718
Net current assets		**1,176,055**	1,401,250
Total assets less current liabilities		**2,073,393**	2,156,765

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2018

	Unaudited											
	Attributable to owners of the Company											
	Share capital	Share premium account	Legal reserve	Foreign currency translation reserve	Share-based payment reserve	Property revaluation reserve	Investment revaluation reserve	Special reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 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
Total comprehensive income for the period	–	–	–	12,420	–	–	(210)	–	(48,799)	(36,589)	(466)	(37,055)
Share issued under share option scheme	5,400	15,995	–	–	(5,735)	–	–	–	–	15,660	–	15,660
Transfer of reserve upon lapse of share options	–	–	–	–	(52)	–	–	–	52	–	–	–
Change in equity for the period	5,400	15,995	–	12,420	(5,787)	–	(210)	–	(48,747)	(20,929)	(466)	(21,395)
At 31 December 2017	185,470	2,384,205	97	99,842	16,471	7,394	265	(86,094)	(360,056)	2,247,594	(13,223)	2,234,371
At 1 July 2018	187,270	2,389,536	97	113,950	11,612	9,278	(445)	(86,094)	(461,784)	2,163,420	(15,865)	2,147,555
Adjustments on initial application of HKFRS 9	-	-	-	-	-	-	-	-	(4,924)	(4,924)	-	(4,924)
Restated balance at 1 July 2018	187,270	2,389,536	97	113,950	11,612	9,278	(445)	(86,094)	(466,708)	2,158,496	(15,865)	2,142,631
Total comprehensive income for the Period	-	-	-	(31,297)	-	-	263	-	(47,089)	(78,123)	(13)	(78,136)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	(1,015)	(1,015)
Change in equity for the Period	-	-	-	(31,297)	-	-	263	-	(47,089)	(78,123)	(1,028)	(79,151)
At 31 December 2018	187,270	2,389,536	97	82,653	11,612	9,278	(182)	(86,094)	(513,797)	2,080,373	(16,893)	2,063,480

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Operating activities		
Operating profit before working capital changes	**6,705**	16,397
Decrease/(Increase) in working capital	**6,044**	(11,571)
Cash generated from operations	**12,749**	4,826
Income tax paid	**(812)**	–
Interest and finance lease charge paid	**(21)**	(19)
Net cash generated from operating activities	**11,916**	4,807
Investing activities		
Decrease in consideration payable	**–**	(152,000)
Proceeds from disposal of a subsidiary	**–**	149,990
Proceeds from disposal of available-for-sale financial assets	**–**	7,021
Proceeds from disposal of financial assets at fair value through other comprehensive income	**29,064**	–
Purchase of available-for-sale financial assets	**–**	(7,793)
Purchase of financial assets at fair value through profit or loss	**(200,000)**	–
Purchase of financial assets at fair value through other comprehensive income	**(7,750)**	–
Decrease in time deposits with original maturity over three months	**66,237**	–
Other cash flows arising from investing activities	**326**	(3,038)
Net cash used in investing activities	**(112,123)**	(5,820)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended 31 December 2018

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Financing activities		
Repayment of bank borrowings	**(11,000)**	(33,326)
Drawdown of bank borrowings	**10,000**	11,250
Proceeds from issue of shares upon exercise of share options	**–**	15,660
Other cash flows arising from financing activities	**4**	(9)
Net cash used in financing activities	**(996)**	(6,425)
Net decrease in cash and cash equivalents	**(101,203)**	(7,438)
Cash and cash equivalents at 1 July	**672,732**	833,890
Effect of foreign exchanges rates changes	**(22,031)**	8,916
Cash and cash equivalents at 31 December	**549,498**	835,368
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances in the condensed consolidated statement of financial position	**589,699**	835,368
Less: Time deposits with original maturity over three months	**(40,201)**	–
Cash and cash equivalents in the condensed consolidated statement of cash flows	**549,498**	835,368

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2018

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2018. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements and segment information are consistent with those used in the audited financial statements and segment information for the year ended 30 June 2018.

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

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2018. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and the prior years, except for HKFRS 9 Financial Instruments ("HKFRS 9").

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 by the Group from 1 July 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. As permitted by the transitional provisions of HKFRS 9, the Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL"), and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

(b) Measurement

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial assets at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(c) Impairment

From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summaries the impact on the Group's opening accumulated losses as at 1 July 2018 as follows:

	HK$'000
Reclassify available-for-sale to FVTOCI	–
Increase in impairment losses for financial assets	4,924
Unaudited adjustment to accumulated losses for adoption of HKFRS 9 on 1 July 2018	4,924
Attributable to:	
Owners of the Company	4,924
Non-controlling interest	–
	4,924

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 July 2018.

Financial assets	Note	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39**	**Carrying amount under HKFRS 9**
				HK$'000	HK$'000
Debt securities	(a)	Available-for-sale	FVTOCI	26,240	26,173
Equity investments		FVTPL	FVTPL	8,326	8,326
Trade and other receivables	(b)	Loans and receivables	Amortised cost	514,517	509,660

The impact of these changes on the Group's financial statements is as follows:

	Note	**Available-for-sale financial assets**	**Financial assets at FVTOCI**
		HK$'000	HK$'000
Balance at 30 June 2018 under HKAS 39 (audited)		26,240	–
Reclassify debt securities from available-for-sale to FVTOCI	(a)	(26,240)	26,240
Balance at 1 July 2018 under HKFRS 9 (unaudited)		–	26,240

For assets in scope of the HKFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of HKFRS 9 impairment model requirements results in an additional impairment allowance adjusted to accumulated losses at 1 July 2018 as follows:

	Note	HK$'000
Impairment allowance at 30 June 2018 under HKAS 39 (audited)		–
Additional impairment recognised at 1 July 2018 on:		
– Debt securities	(a)	67
– Trade and other receivables	(b)	4,857
Impairment allowance at 1 July 2018 under HKFRS 9 (unaudited)		4,924

Note:

(a) Debt securities that were previously classified as available-for-sales are now classified as FVTOCI. The Group intends to hold for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest. An increase of HK$67,000 in the allowance for impairment was recognised in opening accumulated losses at 1 July 2018 on transition to HKFRS 9.

(b) Trade and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$4,857,000 in the allowance for impairment over these receivables was recognised in opening accumulated losses at 1 July 2018 on transition to HKFRS 9.

3. TURNOVER

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

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of consumer goods	**264,514**	268,380
Sales of agri-products	**180,314**	207,797
Logistics services income	**8,718**	10,504
Other revenue	**1,478**	9,136
	455,024	495,817

4. SEGMENT INFORMATION

The Group has three reporting segments as follows:

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

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

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

The Group's other operating segments include the provision of securities dealing services, sub-licensing of trademarks 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 Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e., at current market prices.

The segment information of the Group was as follows:

	FMCG Trading Business (Unaudited) HK$'000	Agri-Products Business (Unaudited) HK$'000	Logistics Services Business (Unaudited) HK$'000	All other segments (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 31 December 2018					
Revenue from external customers	264,514	180,314	8,718	1,478	455,024
Segment profit/(loss)	1,890	(31,070)	663	(2,844)	(31,361)
At 31 December 2018					
Segment assets	891,902	706,095	208,983	62,711	1,869,691

	FMCG Trading Business (Unaudited) HK$'000	Agri-Products Business (Unaudited) HK$'000	Logistics Services Business (Unaudited) HK$'000	All other segments (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 31 December 2017					
Revenue from external customers	268,380	207,797	10,504	9,136	495,817
Segment profit/(loss)	4,583	(29,014)	1,730	(14,063)	(36,764)
At 30 June 2018					
Segment assets (Audited)	953,185	815,798	231,701	46,128	2,046,812

	Six months ended 31 December 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
Reconciliation of segment loss:		
Total loss of reportable segments	**(31,361)**	(36,764)
Unallocated amounts:		
Loss on disposal of a subsidiary	**–**	(272)
Share of gain/(loss) of a joint venture	**681**	(2,499)
Gain on disposal of financial assets at fair value through other comprehensive income	**59**	–
Other corporate expenses	**(16,481)**	(9,730)
Consolidated loss for the Period	**(47,102)**	(49,265)

5. FINANCE COSTS

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on borrowings	**21**	18
Finance lease charges	**–**	1
	21	19

6. INCOME TAX CREDIT

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current period tax:		
Hong Kong	**(149)**	(427)
Deferred tax	**438**	1,029
	289	602

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Period (2017: 16.5%).

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 Period 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 has been calculated at the rate of 25% (2017: 25%), based on existing legislation, interpretation and practices in respect thereof.

7. LOSS FOR THE PERIOD

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

	Six months ended 31 December	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation and depreciation, net of amount capitalised	**43,123**	48,333
Cost of inventories sold	**387,036**	413,257
Directors' emoluments	**4,160**	4,100
Exchange loss/(gain), net	**3,399**	(547)
Gain on disposal of financial assets at fair value through other comprehensive income	**(59)**	–
Operating lease charges in respect of land and buildings, net of amount capitalised	**12,865**	13,268
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**13,070**	12,263
Retirement benefits scheme contributions	**375**	352
	13,445	12,615

8. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2018 (2017: Nil).

9. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the Period attributable to owners of the Company of approximately HK$47,089,000 (2017: approximately HK$48,799,000) and the weighted average number of ordinary shares of the Company of 1,872,696,182 (2017: 1,808,228,790) in issue during the Period.

No diluted loss per share for the Period is presented as the effect of all potential ordinary shares is anti-dilutive for the period ended 31 December 2018 and 2017.

10. INVESTMENTS

	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Non-current assets		
Available-for-sale financial assets, at fair value		
– Listed debt securities in Hong Kong	**–**	3,949
– Listed debt securities outside Hong Kong	**–**	8,739
Financial assets at fair value through other comprehensive income		
– Listed debt securities in Hong Kong	**3,932**	–
– Listed debt securities outside Hong Kong	**988**	–
Impairment allowance for debt securities	**(67)**	–
	4,853	12,688
Financial assets at fair value through profit or loss		
– Listed equity securities in Hong Kong	**200,638**	–
	205,491	12,688
Current assets		
Available-for-sale financial assets, at fair value		
– Listed debt securities in Hong Kong	**–**	7,722
– Listed debt securities outside Hong Kong	**–**	5,830
Financial assets at fair value through profit or loss		
– Listed equity securities in Hong Kong	**6,641**	8,326
	6,641	21,878

The adoption of HKFRS 9 "Financial instruments" resulted in reclassification of available-for-sale financial assets at 30 June 2018 to financial assets at fair value through other comprehensive income at 1 July 2018.

The non-current financial assets at fair value through profit or loss amounted to approximately HK$200,638,000 at 31 December 2018 refer to the aggregated amount of fair value of the two convertible bonds subscribed by the Group during the reporting period.

11. TRADE RECEIVABLES

	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Trade receivables arising from		
Trading	**319,550**	345,400
Dealing in securities		
– Cash clients	**18,850**	12,463
	338,400	357,863
Allowance for doubtful debts	**(4,044)**	(10,373)
	334,356	347,490

For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 150 days (30 June 2018: 30 to 150 days).

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:

	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
1 – 30 days	**69,325**	87,782
31 – 60 days	**55,218**	67,601
61 – 90 days	**68,743**	65,230
Over 90 days	**122,265**	115,495
	315,551	336,108

Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$3,083,000 (30 June 2018: HK$3,801,000) 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 its securities trading balances on the settlement date. At 31 December 2018, cash client receivables of approximately HK$15,767,000 (30 June 2018: HK$8,662,000) were past due. These past due cash client receivables were substantially settled after the period ended date, except for HK$45,000 (30 June 2018: HK$1,081,000) for which allowance for doubtful debts was made during the period. 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.

12. TRADE PAYABLES

	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Trade payables arising from		
Trading	**81,127**	85,404
Dealing in securities		
– Cash clients	**6,588**	3,846
– Clearing house	**–**	1,703
	87,715	90,953

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 period. 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:

	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
1 – 30 days	**70,778**	64,944
31 – 60 days	**10,262**	20,373
61 – 90 days	**–**	2
Over 90 days	**87**	85
	81,127	85,404

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$6,564,000 (30 June 2018: HK$3,932,000).

13. SHARE CAPITAL

	Number of shares (Unaudited)	Amount (Unaudited) HK$'000
Authorised:		
At 30 June 2018, 1 July 2018 and 31 December 2018, par value HK$0.10 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 30 June 2018, 1 July 2018 and 31 December 2018	1,872,696,182	187,270

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2018 (30 June 2018: Nil).

15. CAPITAL COMMITMENTS

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

	31 December 2018 (Unaudited) HK$'000	30 June 2018 (Audited) HK$'000
Contracted but not provided for		
– Fixed assets	**6,742**	7,143
– Construction in progress	**21,775**	39,124
– Seedling plantation	**1,685**	1,786
	30,202	48,053

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2018 (2017: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the six months ended 31 December 2018 (the "Period"), the Group was principally engaged in (i) the trading of packaged foods, beverages, household consumable products and cold chain 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 trademark sub-licencing in petrol business (the "Other Business"). The first three businesses came together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

During the Period, the Group's turnover was approximately HK$455.0 million, representing a decrease of approximately 8.2%, compared to approximately HK$495.8 million in the same period last year. The decline in turnover was mainly attributable to the decrease in the revenue from the agri-product trading business and the Logistics Services Business due to weak market demand and keen competition, the decrease in the revenue from the FMCG Trading Business as a result of scaling down cold chain products trading, and the decrease in the revenue from the Other Business owing to the discontinuation of the intellectual property business and lower brokerage commission income stemmed from weak financial market. During the Period, consumer confidence has been declining as the US China trade tensions escalated, hence the overall Chinese retail market remained sluggish as evidenced by the fact that the retail sales growth persistently lingered around 8-9%, continued its downtrend for consecutive quarters. The keen competition from domestic brands and fresh produce as well as the anti-extravagance atmosphere further worsened the Group's sales performance, in particular the Group's imported fruits. The FMCG Trading Business's revenue declined as the Group continued to trim down cold chain products trading in the light of increasingly complicated customs procedure and high maintenance costs. There was a small revenue contribution from the royalties income of the petrol business since the completion of acquisition in mid December 2018.

Gross profit margin increased from approximately 8.7% to approximately 9.1% compared with the same period last year. The increase in gross profit margin was mainly attributable to the Group's flexible pricing strategies and the improving product-mix, despite the fact that the increase in Renminbi volatility gave rise to much difficulty in maintaining stable gross profit margin. Furthermore, removing the negative impact from the intellectual property business by way of divestment also helped enhance the overall gross profit margin.

Selling and distribution expenses decreased by approximately 8.9% from approximately HK$36.3 million to approximately HK$33.1 million. These expenses represented approximately 7.3% of turnover, remained fairly stable compared to the same period last year. Selling and distribution expenses included the development of sales and marketing channels, outlays on brand building, as well as distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 5.6% from approximately HK$49.1 million to approximately HK$46.3 million. The decrease was mainly attributable to the various cost-saving initiatives taken by the Group and the saving costs by disposing of the intellectual property business, despite the inflationary pressure on various expenses such as rentals and salaries in the Greater China region.

Other operating expenses primarily represented exchange losses of approximately HK$3.4 million on certain assets denominated in Renminbi due to Renminbi depreciation, payment in relation to an abortive construction of approximately HK$3.9 million and unrealized fair value loss on investments of approximately HK$1.0 million in accordance with the Hong Kong Financial Reporting Standards.

Other gains and income increased from approximately HK$4.8 million to approximately HK$7.4 million. The increase was mainly attributable to the increase in interest income during the Period due to the rising interest rate environment and the investment in convertible bonds issued by China Healthwise Holdings Limited ("China Healthwise") and Global Mastermind Holdings Limited ("Global Mastermind") respectively.

Finance costs were kept at a minimal level during the Period.

During the Period under review, the Group recorded share of results of a joint venture of approximately HK$0.7 million, which represented the share of net profit of Waygood Investment Development Limited ("Waygood") under equity accounting treatment as compared to share of net loss of approximately HK$2.5 million for the preceding corresponding period. Waygood indirectly owns and operates a department store named Tycoon City which is located in Tsim Sha Tsui East. The turnaround from share of net loss to share of net profit was mainly attributable to the recovery of Hong Kong retail market and the increase in the number of Chinese tourists during the Period.

The decrease in the Group's net loss can be summarized as mainly attributable to approximately 0.4% increase in gross profit margin, approximately 8.9% decrease in selling and distribution expenses, approximately 5.6% decrease in administrative expenses, approximately HK$2.5 million increase in other gains and income and approximately HK$0.7 million share of profit turned around from approximately HK$2.5 million loss of a joint venture in the same period of last year, but partly offset by approximately 8.2% decrease in turnover and approximately HK$8.4 million increase in other operating expenses.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The operating environment remained challenging during the Period. On the external front, the global economic slowdown and trade disputes between China and the United States severely weakened consumer confidence and resulted in a deep tumble in the global capital market. Worse still, Renminbi has been depreciating during the Period giving rise to downward pressure on gross profit margins, although the Group strived to minimize the impact by refining product mix and seeking better discount from suppliers. The fierce competition from domestic brands and products was another major threat, especially considering their price advantage and overwhelming advertisement. The Group needed to source products more selectively and adopted niche marketing strategy to enhance our competitiveness.

On the internal front, while the Group focused on the traditional trading business, we still underwent the transitional process of getting rid of the unfavourable impact from certain unprofitable businesses such as intellectual property business and cold chain products trading. The Group also cautiously sought for diversification of business to reduce operational risk. On 12 December 2018, the Group completed the acquisition of 70% interest in Richic Mind Limited, which is principally engaged in the sub-licensing of PRC trademarks of "Gulf" to oil petrol stations to carry out petrol filing business in the PRC under the brand name of "Gulf" in return for royalties payment. The Group considers this is a good opportunity to broaden stable income stream. During the Period, the Group also utilized its available cash to subscribe convertible bonds issued by China Healthwise and Global Mastermind for yield enhancement purpose. Further, the Group is in discussion with China Healthwise for exploring the development and distribution of Chinese and other pharmaceutical products and health products in the Chinese market currently sold under the brand name "Nam Pei Hong". The subscription of the convertible bond would build up and strengthen the relationship between the Group and China Healthwise in their business development.

The FMCG Trading Business sells finished consumer products into the domestic Chinese consumer market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported from different regions around the world including Europe, the Americas, Australasia and South East Asia. This business unit can be classified into four categories including packaged foods, beverages, household consumable products and cold chain products with their respective contribution of approximately 79%, 13%, 5% and 3%. 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 and its contribution increased from approximately 76% to approximately 79%. The Group trimmed down its trading in cold chain products trading business in order to reduce various expenses such as its high maintenance costs and administrative costs. The Group could then re-shift its focus on the packaged foods and beverage products and expanded its product portfolio to offset the decrease in the revenue from cold chain products. As a result, the revenue of the FMCG Trading Business remained stable compared to the same period last year, although the revenue of the cold chain products trading decreased by more than 40%.

FMCG Trading Business remained as the most important business unit and contributed approximately 58% of the Group's total revenue during the Period. As aforesaid, the Group continued to focus on its trading business in packaged foods and beverage products by expanding its product portfolio and extending reach to other previously untapped regions. The Group provided discount and promotion for certain new products in order to increase its competitiveness against domestic brands, which inevitably affected its gross profit margins in return for sales volume. The depreciation of Renminbi also put downward pressure on the gross profit margin. Notwithstanding the above, the Group strived to maintain stable gross profit margin by managing a favourable product mix and did not engage in price wars. Going forward, the Group will continue to adopt a sustainable business model to develop the FMCG Trading Business and strengthen the long term relationship with suppliers and customers.

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. During the Period, the revenue of this business unit declined by approximately 13.2% primarily attributable to the decline in the revenue contribution from agri-products trading business. Slowdown in Chinese economy, persistent anti-extravagance environment and unpredictable weather conditions in some countries of origin of the Group's imported fruits remained as the major downside risks for the Group's imported fruits trading business. Additionally, the rise of global protectionism and the more stringent customs formalities for fresh produce also increased the import costs. As a result, the Group has been expanding trading business for domestic fresh produce as a supplementary business and both sales contribution and gross profit margin remained stable. The Group will continue to develop its domestic fresh produce business by leveraging on the well-established distribution networks.

The farming base for various fruits such as early crop oranges and ponkans in Jiangxi continued to provide revenues with steady growth as compared to the same period last year. The distribution channels and agricultural operations have been improving after the Group's efforts to carefully develop the farming base in Jiangxi over past few years. The Group will continue to improve product quality and expand sales network for the Group's self-grown products. Although inclement weather, rising labour costs, weak market demand and declining selling price continued to threaten the upstream farming business operations, the Group is cautiously optimistic on the prospect of this business unit and will carefully operate and monitor its future development. On the other hand, the Group has been proactively developing the agri-tourism business plan, including negotiating with the domestic government and business partners, appointing specialists for landscape design and project plan. The development will include pick-your-own farm, food processing centre for the Group's citrus products, exhibition hall and restaurant etc., to create business synergy with its existing farming business.

The Logistics Services Business provides a full range of services to customers including warehousing, food processing production lines for fresh produce, as well as trucking fleets for nationwide and regional distribution. This business unit contributed approximately 2% of overall revenues for the Period, which was fairly stable compared to the same period in last year. This business unit is highly correlated to the performance of the Group's traditional trading business, thus its revenues fell following the drop of the revenue of the trading business during the Period. As mentioned above, the Group decided to gradually downsize its cold-chain products trading business, and thus the associated cold-chain logistics income also decreased correspondingly.

The Other Business contains providing securities trading and IPO subscription brokerage services through Sino Wealth Securities Limited ("Sino Wealth") and sub-licensing the licensed PRC trademarks of "Gulf" to oil petrol stations to carry out petrol filing business in the PRC in return for royalties payment. The securities brokerage business was severely affected by the weak global financial markets, in particular the stock markets of Hong Kong and China, during the Period. As a result, the brokerage commission income dropped by approximately 50% compared to the same period last year. On 11 January 2017, the Company issued new ordinary shares on the basis of one rights share for every one share held to the shareholders of the Company through a rights issue. The net proceeds of the right issue were approximately HK$207.3 million and were intended to inject into the securities brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business. Out of the net proceeds, HK$20 million has been used as intended as at the date of this report. In view of the abruptly deteriorating market conditions, the Group has resolved to adopt a more conservative approach and extend the expected time for utilization of the remaining proceeds from the rights issue from within 12 months to within 24 months from the date of completion of the acquisition of Sino Wealth, i.e. by 10 March 2019, to re-evaluate the expansion plans.

On 12 December 2018, the Group completed the acquisition of 70% interest in Richic Mind Limited, which is principally engaged in the sub-licensing of the "Gulf" trademarks to oil petrol stations in China in return for royalty payments. The oil retail sector has been growing steadily in China in recent years. There are some 100,000 gas stations in China, around half of them are operated by private sector, which creates strong demand for famous gasoline brand licensing. The first oil petrol station using the brand name of "Gulf" has already been operated in Sanyuanli, Guangzhou, and there have been 8 more petrol filing stations entering into the sub-license agreements, which are scheduled to operate and use the brand name of "Gulf" trademark in the first and second quarters of 2019. Going forward, a series of advertisements will be launched to promote the brand name of "Gulf" to attract more private oil station owners for cooperation. The Group will also explore the feasibility of acquiring or opening directly-owned oil petrol stations under "Gulf" brand name to accelerate its development in petrol business.

Looking forward, the Group will continue to focus on the FMCG Trading Business by reinforcing procurement and distribution networks, and work diligently to operate the upstream farming business. Simultaneously, the Group will proactively develop our new businesses, especially the petrol business which can provide stable revenue stream with room for growth. On the other hand, the Group will continue to implement various stringent cost-saving initiatives to reduce expenditure and uphold a strong financial position to weather any unforeseeable headwinds.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

On 11 January 2017, the Company raised from a rights issue the net proceeds of approximately HK$207.3 million, which were intended to inject into the securities brokerage business. Out of the net proceeds, HK$20 million has been used as intended as at the date of this report. In view of the abruptly deteriorating market conditions, the Group has resolved to adopt a more conservative approach and extend the expected time for utilisation of the remaining proceeds from the rights issue from within 12 months to within 24 months from the date of completion of the acquisition of Sino Wealth, i.e. by 10 March 2019, to re-evaluate the expansion plans.

At 31 December 2018, the Group had interest-bearing borrowings of approximately HK$15.0 million (30 June 2018: HK$16.0 million) of which the borrowings were denominated in Hong Kong and Euro dollars and all would mature within one year. All of the Group's banking borrowings were floating-interest bearing, and were secured by corporate guarantees provided by the Company and certain subsidiaries of the Company, a charge over the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of a subsidiary in carrying amount of approximately HK$4.9 million (30 June 2018: HK$26.2 million) and HK$6.6 million (30 June 2018: HK$8.2 million) respectively and pledged bank deposits of HK$25.0 million (30 June 2018: HK$25.0 million).

A significant portion of sales, purchases, services income and bank and cash equivalents of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. During the Period, the Group experienced a high volatility in Renminbi, and the Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 31 December 2018, the Group did not have any significant hedging instrument outstanding.

At 31 December 2018, the Group's current assets amounted to approximately HK$1,313.5 million (30 June 2018: HK$1,531.2 million) and the Group's current liabilities amounted to approximately HK$137.4 million (30 June 2018: HK$130.0 million). The Group's current ratio maintained to a level of approximately 9.6 as at 31 December 2018 (30 June 2018: 11.8). At 31 December 2018, the Group had total assets of approximately HK$2,210.8 million (30 June 2018: HK$2,286.7 million) and total liabilities of approximately HK$147.3 million (30 June 2018: HK$139.2 million) with a gearing ratio of approximately 0.7% (30 June 2018: 0.7%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained at a fairly low level as at 31 December 2018.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2018, 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.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2018, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), 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	275,078,914	14.69%
Ms. Lee Choi Lin, Joecy ("Ms. Lee")	1	Family interest	275,078,914	14.69%
Mr. Chan Cheuk Yu, Stephen ("Mr. Chan")	2	Interest in controlled corporation	521,955,073	27.87%
Ms. Gao Qin Jian	3	Beneficial owner	3,120,000	0.17%
Ms. Mak Yun Chu	3	Beneficial owner	2,080,000	0.11%
Mr. Poon Yiu Cheung, Newman	3	Beneficial owner	1,560,000	0.08%

Notes:

1. 275,078,914 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. Ms. Lee is the spouse of Mr. Lam, by virtue of the SFO, Ms. Lee is deemed to be interested in said 275,078,914 shares.

2. 521,955,073 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 section titled "Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2018, 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 corporation (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 Period 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2018, the interests of every person, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and to the best knowledge of the Directors were as follows:

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	275,078,914	14.69%
Glazy Target	2	Beneficial owner	521,955,073	27.87%

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 31 December 2018, 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.

SHARE OPTION SCHEME

The following share options were outstanding under the share option scheme adopted by the Company during the Period:

Name or category of participants	Number of share options: At 1 July 2018	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2018	Date of grant of share options	Exercise period of share options	Exercise prices of share options *HK$*
Executive director								
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. 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)	11,128,000*	–	–	–	11,128,000*	16 January 2015	16 January 2015 to 15 January 2020	0.879
Other eligible participants (in aggregate)	28,080,000	–	–	–	28,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
	45,968,000	–	–	–	45,968,000			

* Ms. Hung Sau Yung, Rebecca ("Ms. Hung") retired as an executive director of the Company with effect from 21 December 2018 and remains as the General Manager of the Group. The 3,120,000 share options granted to Ms. Hung on 16 January 2015 with exercise period from 16 January 2015 to 15 January 2020 and exercise price of HK$0.879 each were outstanding at 31 December 2018 and was aggregated under the "Employees" category at 1 July 2018.

At 31 December 2018, the Company had 45,968,000 (31 December 2017: 65,412,440) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 45,968,000 (31 December 2017: 65,412,440) additional ordinary shares and additional share capital of approximately HK$4,597,000 (31 December 2017: HK$6,541,000) and share premium of approximately HK$35,809,000 (31 December 2017: HK$47,029,000) (before share issue expenses). Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed during the period under review.

DISCLOSURE OF INFORMATION ON DIRECTORS

Ms. Hung Sau Yung, Rebecca ("Ms. Hung") retired as an executive director of the Company with effect from 21 December 2018 and remains as the General Manager overseeing the Group's administration and accounting. Ms. Hung has not held any directorship in the subsidiaries of the Company.

Mr. Hung Hing Man has been appointed as an Independent Non-executive Director of REXLot Holdings Limited, a company listed on the Main Board of the Stock Exchange, with effect from 1 January 2019.

Save as disclosed above, during the Period under review, there is no change in information of the Directors since the date of the 2018 annual report of the Company which is required to be disclosed pursuant to Rule13.51B(1) of the Listing Rules.

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

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2018.

CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code (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 and complied with all the applicable code provisions of the CG Code throughout the six months ended 31 December 2018, except with deviation from code provision A.2.1.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated 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 shareholders as a whole.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors any non-compliance with the Model Code by each of them during the six months ended 31 December 2018 and they all confirmed that they had fully complied with the required standard set out in the Model Code.

REVIEW OF INTERIM REPORT

The interim report for the six months ended 31 December 2018 has been reviewed by the Audit Committee of the Company, but not audited by the Company's external auditors.

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 27 February 2019

As at the date of this report, the Board comprises four executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin, Joecy, Ms. Gao Qin Jian and Mr. Chan Cheuk Yu, Stephen; and three independent non-executive directors, namely Ms. Mak Yun Chu, Mr. Poon Yiu Cheung, Newman and Mr. Hung Hing Man.