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 2018/19

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
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
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China CITIC Bank International Limited
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Hang Seng Bank Limited
LUSO International Banking Ltd.
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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 2019 ("FY2019").

FINANCIAL PERFORMANCE

Following the outbreak of the trade war between China and the United States, the operating environment has been rapidly deteriorating. Many economic figures such as GDP growth, retail sales growth and PMI showing a significant downturn in China. On the other hand, the competition from domestic brands has become increasingly intense over recent years, while domestic brands have been spending huge advertising and promotion costs to increase their market share, shrinking gap in product quality and product variety between domestic brands and imported products that led to the continuous improvement in the popularity of domestic brands. Furthermore, the trade war also triggered further Renminbi depreciation during the financial year. Weak Renminbi made imported goods more expensive and substantially undermined its competitiveness against domestic products. In August 2019, Renminbi fell past the important psychological level of 7 against US dollar for the first time since 2008 and the Group's traditional trading business is expected to encounter more difficult environment over next year. Although the Group continuously sourced niche products and expanded procurement network to enhance our competitiveness, the Group trimmed down cold chain products trading in the light of its high maintenance costs, complicated customs procedures and highly competitive environment. Furthermore, the continuous anti-extravagance and deleveraging campaigns in China also hit the consumer market and tightened the liquidity position and consequently, the Group needed to stop supplying products to the customers with weak creditworthiness to avoid debt collection issues. As a result, the revenue of the Group's traditional trading business broadly decreased during the financial year. On the other hand, after having implemented careful development for several years, the upstream farming business has been providing stable revenue stream with healthy growth over past few years. In order to facilitate the upstream farming business, broaden revenue stream and diversify operational risks, the Group has been developing a food processing center where the Group's self grown fruits will be centralised for washing, packaging and distributing with its own brand. In the meantime, various facilities surrounding the food processing center including pick-your-own farm, recreational facilities, restaurant and exhibition hall to display the Group's products will be developed to broaden income stream.

In order to smooth out the fluctuations in trading businesses which are highly correlated with Chinese consumer market condition, the Group made an attempt to diversify its business by investing in securities brokerage business, the trademark sub-licensing in petrol business and the tourist retailing business. However, the escalation of the trade tension and the turmoil in Hong Kong severely affected brokerage commission income and retail revenue in Hong Kong. For the sub-licensing of the "Gulf" trademarks to oil petrol stations in China, the Group decided to dispose of the investment so as to avoid future capital commitment considering required heavy advertising spending and economic uncertainties ahead.

Revenues fell approximately 14.3% to approximately HK$840.7 million in FY2019. The net loss for FY2019 was approximately HK$286.0 million, compared to the net loss of approximately HK$156.6 million for the preceding financial year ("FY2018"). The increase in the net loss was mainly attributable to a decrease in turnover and gross profit margin, an increase in other operating expenses, impairment loss on receivables and deposits and loss of changes in fair value due to biological transformation and partly offset by a decrease in selling and distribution expenses, administrative expenses and an increase in other gains and income.

BUSINESS REVIEW

During the financial year under review, the consumer market in China has been deteriorating, primarily stemmed from the escalation of trade tension between China and the United States and the resultant weakening economic growth. The FMCG Trading Business and the agri-product trading business faced same challenges with weak market demand, increasingly keen competition, persistent anti-extravagance environment and complicated customs formalities. Worse still, the sharp depreciation of Renminbi further undermined the competitiveness of the Group's imported products. To cope with the very challenging environment, the Group continuously expands product portfolio in terms of geographic coverage and product categories and strengthens sales channels including on-premises and online platforms. For instance, the Group continued to expand the procurement network of domestic fresh produce so that its trading revenue recorded steady growth in spite of the weak economic environment, and partly offset the decline in the revenue of the imported fresh produce trading business. On the other hand, packaged foods remained as the most important category and its contribution over the FMCG Trading Business increased from approximately 75% to approximately 78% because the Group trimmed down cold-chain product trading in order to save considerable amount of maintenance expenses and more resources were deployed for packaged foods trading business.

CHAIRMAN'S STATEMENT

For the upstream farming business, while the weather was unstable during the financial year, its revenue recorded steady growth thanks to the improving distribution network and farming operations. In order to facilitate the upstream farming business, broaden revenue stream and diversify operational risks, the Group has been proactively developing a project including the construction of a food processing center and the development of agri-tourism business nearby. After the completion of the food processing center, the Group's citrus products will be centralised for distribution which will facilitate its brand building and distribution network expansion. Additionally, the agri-tourism business will also provide another income stream.

Revenue from logistics business represented approximately 2% of the Group's total revenue, same as that of the last financial year. This business unit is highly correlated to the performance of the Group's traditional trading business, the decline in its revenue was primarily attributable to the decline in the business volume of the Group's trading business. Additionally, the Group downsized its cold-chain products trading business, and thus the associated cold-chain logistics income also decreased accordingly. Going forward, the Group will be continuously streamlining the logistics operations in southern China.

The Group also carefully developed non-trading businesses including securities brokerage business, trademark sub-licensing in petrol business and tourist retailing business with the aim of generating stable income streams and smoothing out the fluctuations in existing businesses that are highly correlated with the Chinese consumer market. The securities brokerage business was severely affected by the weak global financial markets, in particular the escalation of the trade tension between China and the United States significantly impacting on the stock markets of Hong Kong and China. There are no signs of recovery in near term. The petrol sub-licensing business was an attempt to tap into China's gasoline market with small investment amount. However, the revenue gained since the acquisition was less than expected because of the fierce competition from state-owned oil retailers and weak market demand. The Group decided to dispose this business unit to save future capital commitment during the financial year. Leverage on the investment in a joint venture namely Waygood Investment Development Limited ("Waygood"), the Group has established network in the tourist retailing industry in Hong Kong. Therefore, the Group acquired 100% interest in Lucky Billion Trading Limited ("Lucky Billion"), which is principally engaged in tourist retailing in jewellery during the financial year. This business unit has contributed stable revenue since the acquisition until the end of FY2019. However, the ongoing large scale protests in Hong Kong severely hit the overall retail and tourism market and this business unit is expected to encounter big challenges for the coming financial year.

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2019. In view of the unpredictable global, China and Hong Kong 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 events that might come up.

LOOKING AHEAD

There are many uncertainties such as the trade tension between China and the United States and the ongoing large scale protests in Hong Kong, which cast a significant negative outlook and uncertainty over the economic growth and thus the Group's business performance. Therefore, the Group will continue to adopt a conservative stance by implementing various cost-saving initiatives to reduce daily operating expenses and capital spending.

For the existing traditional trading business, the Group will continue to strengthen its procurement network, product portfolio and distribution channels. Fluctuations in the Renminbi's exchange rate continues to increase the difficulty in trading imported products. In addition to arranging hedging instruments to reduce currency risks, the Group has also been expanding its procurement network for domestic products with the aim of providing another income stream and mitigating the impact of Renminbi depreciation. The increasing size of middle class in China is the Group's major target customers and the Group will continue to source high quality products to fit target customers' needs. On the other hand, the Group will uphold a stable pricing strategy and negotiate the best terms from the suppliers to improve gross profit margin.

After several years of operations, the upstream farming business has been more mature in its productivity and distribution network. To facilitate brand building, the food processing center is essential for the Group to centralise all post-harvest work, and the ancillary income from agri-tourism business further underpin the attractiveness of its development.

CHAIRMAN'S STATEMENT

The Group will carefully develop the non-core businesses. However, in view of the sustained weak performance for the stock market and the escalating social unrest in Hong Kong, the Group expects the securities brokerage business and the tourist retailing business will encounter large uncertainties and challenges in the coming years.

The Group will keep working hard to improve financial performance by continuously implementing austerity measures and broadening revenue stream. 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.

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. The business risks are lowered because of the diversification of the Group's investments in securities brokerage and tourist retailing. With the support of our strong 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, 30 September 2019

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 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 arising from the securities brokerage business, the trademark sub-licensing in petrol business and the tourist retailing 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 worsening and the operating environment remained challenging during the financial year. The escalation in the trade dispute between the world's two largest economies severely damaged the global economy and consumer confidence, in particular China's various important economic indicators showing declining growth and slowdown. China's economic growth slowed to 6.2 per cent in the second quarter of 2019 from 6.4 per cent in each of the previous two quarters, which was the lowest growth rate since the first quarter of 1992. The retail sales growth was also weak during the financial year and recorded growth rate as low as 7.2 per cent, the slowest pace since 2003. The data suggested consumers were beginning to cut back spending. The trade war also triggered further Renminbi depreciation during the financial year. Weak Renminbi made imported goods more expensive and substantially undermined its competitiveness against domestic products. As a result, China's overall imports slid 4.3 per cent in first half of 2019, compared with a 19.9 per cent rise a year earlier. Furthermore, ongoing China's anti-extravagance and deleveraging campaigns further weighed on consumer confidence and largely affected high-end imported products including imported FMCG and fruits which were the Group's major products for trading. Against the backdrop of the above difficult environment, the Group's trading businesses and its associated logistics business encountered significant challenges. Although the Group continuously sourced niche products and expanded procurement network to enhance our competitiveness, the weak market conditions and the fierce competition from domestic brands that have been using overwhelming advertisements and promotions unavoidably put huge downward pressure on the Group's sales performance. Additionally, the Group's continuous trim-down operation in cold chain products trading also decreased the Group's overall revenues. On the other hand, as many unfavourable events occurred subsequent to the financial year such as the escalation of the trade tension, the sharp depreciation of Renminbi and the intensifying political unrest in Hong Kong, the Group remained cautious and conservative for various businesses over next financial year, which led to substantial impairment loss on the fixed and other assets, other intangible assets and goodwill across the Group's business segments.

During the financial year under review, the Group also carefully developed non-core businesses such as securities brokerage business, trademark sub-licensing in petrol business and tourist retailing business. The securities brokerage business was severely affected by the weak global financial markets, in particular the breakout of trade tension between China and the United States significantly impacting on the stock markets of Hong Kong and China. The securities brokerage business thus recorded a significant drop in its brokerage commission income. As the outlook remained gloomy for the securities brokerage business in near term, the use of the unused proceeds of the right issue completed on 11 January 2017 that was originally intended to inject into the securities brokerage business has been proposed to change to finance a possible acquisition of a target company, which is principally engaged in retail of luxury goods and chocolates and provision of meal services in a retail store located in Hong Kong. The exclusivity period for the possible acquisition will expire on 31 December 2019. If the possible acquisition is not materialized, then the entirety of the unused proceeds, as the case may be, shall continue its original intended use and be further extended to 10 March 2020.

MANAGEMENT DISCUSSION & ANALYSIS

During the financial year under review, 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 in China was also adversely affected by the slowdown of the global economy, the international crude oil prices fluctuated with an upward trend first, and then slid rapidly during the first half of 2019. The operations of oil petrol stations, in particular private-owned stations, were confronted with strong market competition in the midst of the sluggish economy. The Group was required to invest considerable amount of advertising spending to increase brand awareness and market share. In view of the weak market demand and intense competition, the Group adopted a more conservative approach and divested its operations in the trademark sub-licensing in petrol business to avert future capital commitment.

During the financial year under review, the Group acquired 100% interest in Lucky Billion Trading Limited ("Lucky Billion"), which is principally engaged in tourist retailing in jewellery. Leverage on the investment in a joint venture namely Waygood Investment Development Limited ("Waygood"), which operates a department store in Hong Kong since 2015, the Group has become experienced in the industry and market of this business segment in Hong Kong. The Group will be able to diversify its income stream and increase its revenue and earning sources through the Lucky Billion's existing network of suppliers and customers. This business unit has contributed stable revenue since the acquisition in May 2019. However, the ongoing large scale protests in Hong Kong severely hit the overall retail and tourism market, this business unit is expected to encounter big challenges over next financial year.

The weak macro economy, fierce competition from domestic brands, rising import costs and Renminbi depreciation remained as biggest threats to the Group's operations. To counteract these negative factors, the Group adopted various measures to pursue stable pricing strategies and gross profit margins by refining product-mix, increasing stickiness of target customers and seeking best discounts from suppliers through bulk-purchase. Furthermore, in the light of the decline in revenues, the Group strengthened austerity measures such that recurring expenses could be broadly reduced. 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 59% of the total revenues (FY2018: 57%). The revenue of the Agri-Products Business accounted for approximately 39% of the Group's total revenues, compared to 40% a year earlier. The Logistics Services Business was also affected by the decrease in the revenues of the FMCG Trading Business and the Agri-Products Business but its contribution remained stable at approximately 2% of the total revenue, same as that of the last financial year.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$840.7 million as compared to HK$981.5 million for FY2018, representing a fall of approximately 14.3%. The decline was mainly attributable to the decrease in the revenues from the FMCG Trading Business, the agri-product trading business, the Logistics Services Business and the Other Business, partly offset by the contributions from the increase in the upstream farming business. During the financial year under review, the overall Chinese retail market has been abruptly deteriorating stemming from the trade war fears triggering significant slowdown in economic growth and consumer confidence. The trade war also caused a massive depreciation in Renminbi, which put the Group's imported products at a disadvantage when competed with domestic brands. The domestic brands got better price advantage due to Renminbi depreciation along with their large-scale marketing program, giving rise to the competition more fierce than ever. The continuous anti-extravagance and deleveraging campaigns in China also hit the consumer market and tightened the liquidity position and consequently, the Group needed to stop supplying products to the customers with weak creditworthiness to avoid debt collection issues at the expense of the loss of certain amount of revenue. Furthermore, in view of the increasingly intense competition, high maintenance costs and complicated customs procedures, the Group substantially scaled down cold chain products trading, resulting in a decrease in its revenue by 40%. Therefore, the revenue of the trading businesses unavoidably declined compared to that of last financial year. As a result of the decline in the traditional trading businesses, its associated logistics revenue also dropped accordingly. On the other hand, the revenue of the Other Business also fell primarily owing to the discontinuation of the intellectual property business and lower brokerage commission income stemmed from weak financial market, partly offset by the revenues contributed by the newly acquired trademark sub-licensing in petrol business and tourist retailing business.

MANAGEMENT DISCUSSION & ANALYSIS

Gross profit margin decreased from approximately 9.3% to 8.6% compared to FY2018. The decrease was mainly attributable to the Renminbi depreciation and relatively low prices on newly launched products amid weak market demand and the decrease in the revenues of some businesses with high gross profit margins such as the securities brokerage business and the cold chain products trading. The Group exerted every effort to maintain stable gross profit margins by using flexible pricing strategies and bargaining better discounts from suppliers. Therefore, the overall gross profit margin merely recorded slight decrease although the market conditions were awfully bad. Some product categories such as the Group's core packaged food trading even had improvement in its gross profit margin.

Changes in fair value due to biological transformation increased from approximately HK$10.6 million to approximately HK$19.4 million. The increase was mainly attributable to the decreased production yield and increased cost of sales due to the inclement weather and the rising labour costs.

Other gains and income increased from approximately HK$10.5 million to approximately HK$17.8 million. The increase in other gains and income was mainly attributable to the interest income derived from the investment in convertible bonds issued by China Healthwise Holdings Limited ("China Health") and Global Mastermind Holdings Limited ("Global Mastermind").

Selling and distribution expenses decreased by approximately 2.1% from approximately HK$70.2 million to approximately HK$68.7 million, representing approximately 8.2% of total revenue which increased compared to last year (FY2018: 7.2%). The increase in the selling and distribution expenses as a percentage of turnover was mainly attributable to the increase in sales commission and handling and distribution expenses for the traditional trading businesses. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, commission as well as handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 8.5% from approximately HK$103.9 million to approximately HK$95.0 million. The decrease was mainly attributable to the various cost saving initiatives especially for the upstream farming business despite the inflationary pressure on various expenses such as rentals and salaries in the Greater China region, and the saving costs of the disposed intellectual property business which had incurred approximately HK$5.2 million administrative expenses in the last financial year until its disposal in December 2017.

Impairment loss on trade receivables, deposits and other receivables increased from approximately HK$11.7 million to approximately HK$20.6 million as the Group has taken a more cautious approach on the receivables that exposed to a higher risk of collectability. Other operating expenses increased from approximately HK$59.6 million to approximately HK$173.2 million. The expenses mainly represented impairment loss of approximately HK$161.0 million on the fixed assets, other intangible assets, goodwill and prepayments across the Group's business segments such as Agri-Product Business, FMCG Trading Business, Logistics Services Business, and securities brokerage business during the financial year under review. Furthermore, the other operating expenses also included an exchange loss of approximately HK$2.8 million and unrealised fair value loss on investment of approximately HK$9.4 million in accordance with the Hong Kong Financial Reporting Standards.

Finance costs were kept at a minimal level during the financial year.

Net loss for the year ended 30 June 2019 was approximately HK$286.0 million (FY2018: HK$156.6 million). The increase in the net loss was mainly attributable to a combination of approximately 14.3% decrease in turnover, approximately 0.7% decrease in gross profit margin, approximately HK$122.5 million increase in other operating expenses and impairment loss on receivables and deposits and approximately HK$8.9 million increase in loss of changes in fair value due to biological transformation, and partly offset by approximately HK$7.3 million increase in other gains and income, approximately 2.1% decrease in selling and distribution expenses, and approximately 8.5% decrease in administrative expenses.

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells finished FMCG and cold chain 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$495.0 million in revenue to the Group for FY2019, decreased by approximately 11.5% from that contributed in FY2018. The decrease in revenue was primarily attributable to the persistently weak market demand, in particular the escalation of the trade war between China and the United States which largely affected consumer confidence and caused economic slowdown in China and the Group has scaled down the trading of cold chain products. During the financial year under review, the Chinese economy grew at its slowest pace in at least 27 years, mainly hurt by the ongoing trade dispute with the United States. The intensifying trade dispute further weakened Renminbi which put great pressure on the Group's imported products, particularly taking into account of the fierce competition against domestic brands. The Group basically adopted stable pricing strategies and did not engage in price competition in order to maintain stable profit margins. However, the Group strengthened promotions and price discounts for newly launched products to attract buyers in the midst of weak consumer market. Additionally, 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. As a result, the revenue of the FMCG Trading Business inevitably decreased during the financial year. Notwithstanding the above, the Group's commitment in strengthening this business unit remained unchanged. The Group continuously expands product portfolio in terms of geographic coverage and product categories and strengthens sales channels including on-premises and online platforms.

The gross profit margin of FMCG Trading Business decreased to approximately 7.7% from approximately 8.6% compared to the last financial year. The decrease was mainly attributable to the change of the product-mix, where the cold chain products trading was trimmed down substantially and caused a drop in the overall gross profit margin of the FMCG Trading Business. Moreover, the depreciation of Renminbi and the increase in sales discount for certain new products also put downward pressure on the gross profit margin. Despite the difficult environment, the Group strived to maintain stable margins through adopting flexible pricing strategies, proper hedging arrangement and bulk purchases for better discounts. Some product categories like packaged foods indeed recorded slight improvement in its gross profit margin compared to that of last financial year thanks to the Group's efforts mentioned above. The Group will continue to adopt a sustainable business model to develop the FMCG Trading Business by strengthening the relationship and collaboration with the suppliers and customers.

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 78%, 15%, 4%, 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, followed by beverage products. The contribution of packaged foods increased from approximately 75% to approximately 78% because the Group trimmed down its trading in cold chain products trading business and more resources were deployed for its development in packaged foods to offset the decrease in the revenue from cold chain products.

Agri-Products Business

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. This business unit generated HK$324.8 million for the FY2019, down approximately 16.8% as compared to the HK$390.1 million generated in FY2018. The decrease in revenue was primarily attributable to the decline in the revenue contribution from agri-products trading business. The competition for imported fresh produce market remained fierce due to rising import costs and weak demand stemming from weak consumer confidence and anti-extravagance atmosphere. On the other hand, the upstream farming business recorded an encouraging revenue growth due to the distribution network expansion.

MANAGEMENT DISCUSSION & ANALYSIS

Agri-Products Trading Business

The Chinese imported fruit market was highly correlated with macroeconomic conditions and consumer confidence. The intensifying trade tension between China and the United States severely affected consumer confidence and the persistent anti-extravagance environment further exacerbated the market conditions. The competition for the Chinese fruit market was very intense, the price of imported fruit on the market has broadly fallen because more and more fruit importers have been entering the Chinese market and resulted in large increase in supply. Meanwhile, shrinking gap in product quality and product variety between domestic fruit and imported fruit led to the continuous improvement in the popularity of domestically produced fruits. Additionally, the rise of global protectionism and the more stringent customs formalities for fresh produce posed extra difficulties for the imported fruit trading business. In order to enhance competitiveness, the Group has been expanding trading business for domestic fresh produce as a supplementary business, of which revenue and gross profit margin remained stable amid the weak market. The Group will continue to develop its domestic fresh produce business by leveraging on the well-established distribution networks.

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. With the improved distribution channels and agricultural operations, this business unit continued to contribute revenues with double digit growth despite the overall weak market demand. Inclement weather, rising labour costs, weak market demand and declining selling price remained as the major downside risks for this business unit, but the Group's cumulative years of operating experience noticeably enhanced its ability to face the above adversities. During the financial year under review, sustained rainy and foggy weather continuously affected the production yield and the Group effectively mitigated its impact by implementing advanced agricultural technology and working more closely with China's authorised institutions in weather forecasting. The Group is cautiously optimistic on the prospect of this business unit and will carefully operate and monitor its future development.

In order to facilitate the upstream farming business, broaden revenue stream and diversify operational risks, the Group has been proactively developing a project including the construction of a food processing center and the development of agri-tourism business nearby. The food processing center will provide various functions such as washing and packaging for the Group's citrus products, which will facilitate its brand building and distribution network expansion. On the other hand, the agri-tourism business will include various facilities surrounding the food processing center including pick-your-own farm, recreational facilities, restaurant and exhibition hall to display the Group's products. The negotiation with the local government and the landscape design were already completed, the construction work has begun and is expected to complete within two years.

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 trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services represented approximately 2% of the Group's total revenue amounted to approximately HK$15.3 million, decreased by approximately 22.7% compared to the last financial year. This business unit is highly correlated to the performance of the Group's traditional trading business, the decline in its revenue was primarily attributable to the decline in the business volume of the Group's trading business. Additionally, the Group downsized its cold-chain products trading business, and thus the associated cold-chain logistics income also decreased accordingly. On the other hand, the Group has completely transferred logistics functions to the new processing and storage plants in Zhongshan after the disposal of the Zhongshan logistics center. While the logistics operations have been running smooth in the new plants in Zhongshan, some of the Huidong logistics center's handling capacity became redundant in the wake of weak market demand, which led to an impairment loss on the investment in the Huidong logistics center during the financial year. Going forward, the Group will be continuously reviewing the logistics operations in southern China and identifying the most suitable way for its consolidation and streamlining.

MANAGEMENT DISCUSSION & ANALYSIS

Other Business

The Other Business contains providing securities trading and IPO subscription brokerage services through Sino Wealth Securities Limited, sub-licensing the licensed PRC trademarks of "Gulf" to oil petrol stations to carry out petrol filing business in China in return for royalties payment and operating tourist retailing business. The securities brokerage business was severely affected by the weak Hong Kong financial market, which primarily stemmed from the intensifying trade war between China and the United States. The brokerage commission income dropped by approximately 55.9% compared to the last financial year. As the outlook remained gloomy for the securities brokerage business in near term, the use of the unused proceeds of the right issue completed on 11 January 2017 that was originally intended to inject into the securities brokerage business has been proposed to change to finance a possible acquisition of a target company running retailing and catering businesses in a retail store located in Hong Kong. The exclusivity period for the possible acquisition will expire on 31 December 2019. If the possible acquisition is not materialized, then the entirety of the unused proceeds, as the case may be, shall continue its original intended use and be further extended to 10 March 2020.

During the financial year under review, 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 private oil retail sector is a fragmented market facing fierce competition from state-owned oil retailers in China, especially under a difficult economic environment. The Group was required to invest considerable amount of advertising spending to promote the brand name. However, the tough external operating environment impeded the development of this business unit and the royalty revenue was less than expected. In view of possible future capital commitment and economic uncertainties ahead, the Group decided to dispose the investment in Richic Mind Limited. The disposal did not have any material impact on the financial statements.

During the financial year under review, the Group acquired 100% interest in Lucky Billion, which is principally engaged in tourist retailing in jewellery with a flagship shop in Tsim Sha Tsui East. Leverage on the investment in Waygood, the Group amassed experience and gained network in the retail industry in Hong Kong, particularly specialising in serving mainland tourists. The Group believed Lucky Billion would bring good synergies with Waygood and be able to increase revenue stream. The investment in Lucky Billion has indeed contributed stable revenue since the date of acquisition. However, as the large-scale protests in Hong Kong broke out in June 2019 and have been escalating since then, the Group's tourist retailing business is expected to face severe challenges over next financial year.

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 and market disruption, which may severely affect the operations of the securities brokerage business and the tourist retailing 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 and retail industries are also a highly competitive market and the Group cannot assure to maintain existing client base or not to engage in price competition.

MANAGEMENT DISCUSSION & ANALYSIS

3) **Increasing Political Risks**

Political risks including the recent rise of global protectionism may severely affect the Group's trading businesses. The increase in tariffs and various customs formalities as a result of the protectionism will increase the import costs and decrease the competitiveness of the Group's imported products, and thus the Group cannot assure to pass on the increased costs to customers or maintain existing client base under such circumstances. The Group's tourist retailing business in Hong Kong may be severely affected by the occurrence of large-scale protests arising from political events and thus the Group cannot assure to maintain existing client base or not to engage in price competition.

4) **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.

5) **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 revenue 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.

6) **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 is 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 FY2019, there was no material and significant dispute between the Group and its employees, suppliers and customers.

MANAGEMENT DISCUSSION & ANALYSIS

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 FY2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

During the financial year under review, the Group utilised its available cash to subscribe two convertible bonds issued by China Healthwise and Global Mastermind for HK$120.0 million and HK$80.0 million respectively.

China Healthwise is an investment holding company and principally engaged in investment in financial instruments. Its subsidiaries are principally engaged in development, engineering, manufacture and sale of toys, consumer electronic products, commercial kitchen products, Chinese health products, money lending business and investment in financial instruments. At 30 June 2019, the fair value of the Group's investment in its convertible bond was approximately HK$109.8 million, representing approximately 5.5% of the total assets, and recorded an unrealised fair value loss on investment of approximately HK$10.2 million and an interest income of approximately HK$5.4 million during the financial year.

Global Mastermind is an investment holding company. Its subsidiaries are principally engaged in provision and operation of travel business, treasury management business, money lending business and provision of securities and asset management services. At 30 June 2019, the fair value of the Group's investment in its convertible bond was approximately HK$81.7 million, representing approximately 4.1% of the total assets, and recorded an unrealised fair value gain on investment of approximately HK$1.7 million and an interest income of approximately HK$4.0 million during the financial year.

The objective for the above investments is to better utilise the Group's available cash and seek higher interest income in view of the current uncertain global trading market.

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 and banking facilities.

On 11 January 2017, the Company raised from a rights issue for 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 proposed to change the use of the remaining proceeds to finance a possible acquisition of a target company, which is principally engaged in retail of luxury goods and chocolates and provision of meal services in a retail store located in Hong Kong. If the possible acquisition is not materialised, then the entirety of the unused proceeds, as the case may be, shall continue its original intended use and be further extended to 10 March 2020.

At 30 June 2019, the Group had interest-bearing borrowings of approximately HK$20.2 million (30 June 2018: HK$16.0 million) of which all borrowings were denominated in Hong Kong dollars or Euro and all would mature within one year. All of the Group's bank borrowings at 30 June 2019 were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company.

A significant portion of sales, purchases, service income and bank and cash equivalents 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, and the Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 30 June 2019, the Group did not have any significant hedging instrument outstanding.

At 30 June 2019, the Group's current assets amounted to approximately HK$1,108.0 million (30 June 2018: HK$1,531.2 million) and the Group's current liabilities amounted to approximately HK$135.9 million (30 June 2018: HK$130.0 million). The Group's current ratio maintained at a level of approximately 8.2 at 30 June 2019 (30 June 2018: 11.8). At 30 June 2019, the Group had total assets of approximately HK$1,981.8 million (30 June 2018: HK$2,286.7 million) and total liabilities of approximately HK$145.7 million (30 June 2018: HK$139.2 million) with a gearing ratio of approximately 1.0% (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 30 June 2019 and 2018.

MANAGEMENT DISCUSSION & ANALYSIS

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2019, the Group had approximately 460 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.

DEVELOPMENT AND PROSPECTS

The operating environment has been deteriorating rapidly since the breakout of the trade war between China and United States, which cast a significant negative outlook and uncertainty over global economic growth. All leading economic indicators such as PMI, import and export figures subsequent to the financial year point towards weaker macroeconomic environment ahead. In August 2019, Renminbi fell past the important psychological level of 7 against US dollar for the first time since 2008, triggering worries over further depreciation of Renminbi to offset the impact of the extra tariffs imposed by the United States. As a result of the adverse factors mentioned above, the Group's traditional trading business is expected to encounter more difficult environment over next year, higher political risks and protectionism may increase imported costs and severely affect consumer confidence, unfavourable currency movement likely put further downward pressure on the Group's traditional trading business.

The Group has attempted to diversify its business by investing in different industries such as the securities brokerage business and the tourist retailing business in Hong Kong. However, the trade war and the ongoing large-scale protests in Hong Kong severely affect Hong Kong economy. Months of protests and violent incidents have started to dent Hong Kong's retail and tourism sectors. On 8 March 2019, the Group signed a memorandum of understanding for the possible acquisition of the retail business which provides luxury goods and meal services in a retail store located in Hong Kong. In view of the recent and continuing social unrest in Hong Kong showing signs of affecting the retail industry adversely, additional time and effort are required to conduct market research and analysis of the potential impacts on the business. As such, the exclusivity period has been extended to 31 December 2019.

For the traditional trading businesses including the FMCG Trading Business and the agri-products trading business, the Group will continue to reinforce their operations by reinforcing procurement and distribution networks. For the upstream farming business, the sales performance has been improving because of the enhancement of its operational efficiency and the expansion of distribution networks. The Group's plan of the development in constructing the food processing centre and establishing the agri-tourism zone is being proceeded. After the completion, the distribution of the Group's self-grown fruits will be centralised in the food processing centre with private brand, and the agri-tourism business can also generate another income stream.

The financial results were hindered by the deteriorating macro environment. There are many uncertainties ahead including global economic slowdown, the rise on protectionism and the social unrest in Hong Kong etc., while the Group will strive to broaden revenue stream and maintain stable profit margins to improve the financial performance. The Group will take a more cautious stance for future development and will keep working hard to maintain a healthy and strong financial position to weather any unexpected headwinds.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, *Chairman, Managing Director, Executive Director and Chief Executive Officer*

Mr. Lam Kwok Hing, aged 63, 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 59, 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. Gao Qin Jian, *Executive Director*

Ms. Gao Qin Jian, aged 59, 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 42, 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. He 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 61, 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.

Mr. Poon Yiu Cheung Newman, *Independent Non-executive Director*
Mr. Poon Yiu Cheung Newman, aged 65, 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 49, 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, 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 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. He 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 51, 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. He 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 was an independent non-executive director of CECEP COSTIN New Materials Group Limited from February 2010 to July 2018, 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 42, 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. He 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.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Hung Sau Yung Rebecca, *General Manager for group administration and accounting*
Ms. Hung Sau Yung Rebecca, aged 53, joined the group in March 1998. 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, she worked as an administration and accounting manager in a Hong Kong trading company. Ms. Hung was the Executive Director since January 2012 and retired in December 2018. After her retirement, Ms. Hung remains as the General Manager overseeing the internal financial operations and controls as well as managing the administrative functions of the Group.

Ms. Tong Lai Choi Katrina, *Human Resources Manager*
Ms. Tong Lai Choi Katrina, aged 64, 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 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 44 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 2019 are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 42 and 43.

The state of affairs of the Group as at 30 June 2019 are set out in the Consolidated Statement of Financial Position on pages 44 and 45.

RESERVES

The movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 46. 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 2019 (2018: 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 2019, reserves of the Company available for distribution to the shareholders of the Company were approximately HK$1,530,925,000 (2018: HK$1,818,659,000). 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$2,438,100,000 (2018: HK$2,438,100,000) 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 *(retired on 21 December 2018)*
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

In accordance with the articles of association of the Company, Mr. Lam Kwok Hing, Mr. Chan Cheuk Yu Stephen and Mr. Poon Yiu Cheung Newman will retire at the forthcoming annual general meeting and, who being eligible, will offer themselves for re-election.

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

Ms. Hung Sau Yung, Rebecca 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.

Details of changes in emoluments of the relevant Directors for the financial year ended 30 June 2019 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 2019, 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 Issuers ("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 note 37 to the consolidated financial statements.

Save as disclosed above, as at 30 June 2019, 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 2019, 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	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 30 June 2019, 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 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

The related party transactions in relation to the key management personnel remuneration as set out in note 43 to the consolidated financial statements were connected transactions fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.95 of the Listing Rules.

Save for the aforesaid, 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 138.

BUSINESS REVIEW

Details of business review during the financial year are set out in the section titled "Chairman's Statement" on pages 3 to 5, "Management Discussion and Analysis" on pages 6 to 14 and "Environmental, Social and Governance Report" on pages 30 to 34 of this annual report, and all such discussions form part of this Directors' Report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 23 to 29.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules is set out in the section titled "Environmental, Social and Governance Report" on pages 30 to 34 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, 30 September 2019

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 2019, 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 deviation from code provision A.2.1, detail of such deviation with considered reasons are set out in the following section titled "Chairman and Chief Executive".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had fully complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2019.

BOARD OF DIRECTORS

During the year ended 30 June 2019, the Board comprised of the following:

Executive Directors

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Hung Sau Yung Rebecca *(retired on 21 December 2018)*
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

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 of the Group.

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

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

CORPORATE GOVERNANCE REPORT

The Company provided regular financial updates and presentations on the business development of the Group, as well as providing materials and articles explaining on the latest development regarding Listing Rules and other applicable statutory requirements to Directors, including every newly appointed Director, to ensure their contributions to the Board remained informed and relevant. During the year ended 30 June 2019, 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 2019 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	14/14	N/A	1/1	3/3	1/1
Ms. Lee Choi Lin Joecy	14/14	N/A	N/A	N/A	0/1
Ms. Hung Sau Yung Rebecca *(retired on 21 December 2018)*	9/9	N/A	N/A	N/A	1/1
Ms. Gao Qin Jian	14/14	N/A	N/A	N/A	1/1
Mr. Chan Cheuk Yu Stephen	14/14	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Ms. Mak Yun Chu	14/14	2/2	1/1	3/3	1/1
Mr. Poon Yiu Cheung Newman	14/14	2/2	1/1	3/3	1/1
Mr. Hung Hing Man	14/14	2/2	N/A	N/A	1/1

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 policies and practices on corporate governance;

(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; and

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

CORPORATE GOVERNANCE REPORT

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 confirms 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
Mr. Hung Hing Man, Independent Non-executive Director

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

During the financial year ended 30 June 2019, the Audit Committee held 2 meetings with all committee members attended and the external auditor joined to consider the appointment and independence of external auditor, reviewing and supervising the financial control process and internal control of the Group and monitoring and reviewing the interim and annual consolidated financial statements of the Group.

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2018 have been reviewed and approved by the Audit Committee. For the financial year ended 30 June 2019, 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.

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 1 meeting with all committee members attended during the financial year ended 30 June 2019, for assessing the performance of Executive Directors, reviewing and discussing the present remuneration structure of the Group and has made recommendations to the Board in relation to the salaries, bonuses, allowances, share options, and retirement benefits scheme contributions paid to the Directors and senior management of the Group, taking into account the individual performance, duties and responsibilities with the Company and the prevailing market condition. It has also reviewed the terms and conditions of the current share option policy, trainings for Directors and discussed on the time commitment of Directors.

CORPORATE GOVERNANCE REPORT

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 2019 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-election of Directors and assessing the independence of Independent Non-executive Director.

During the financial year ended 30 June 2019, 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 renewal of terms of appointment and re-election of Directors taking into account their experience and qualifications.

The Board has also adopted a Board Diversity Policy 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 or in recommending candidates for appointment to the Board and re-election of Directors 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 acknowledges the overall responsibilities for the Group's internal control, financial control and risk management system and monitor the 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. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing risk management approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives. The Group established a risk management framework that the Board and management discuss potential risks during board meetings and management meetings regularly. Management from different subsidiaries and departments voluntarily raise any issues that need attention and further discussions. The Board and key management are closely involved in daily operation and monitor the potential risks with their understanding of the industry. When risks arise during business operations, they are assessed at management meetings and risk management actions are taken for significant risks. The Group prioritizes risks identified during management meetings and significant risks are handled at once. Progress on the risks identified at previous meetings is followed up.

CORPORATE GOVERNANCE REPORT

During the financial year under review, the Board has performed an annual 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 result. 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 risk management internal control system.

The Company has established and implemented relevant procedures and internal controls for the handling and dissemination of inside information, including restricting employee access to inside information on a need-to-know basis and ensuring that those who need to know understand the obligation of keeping the information confidential. All inside information is disclosed to the public pursuant to the requirements under the Securities and Futures Ordinance and the Listing Rules and kept strictly confidential before disclosure.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") with effect from 1 January 2019. According to the Dividend Policy, the Board shall, before proposing and declaring dividends, consider a number of factors such as the Group's financial performance, liquidity position, working capital requirements, future expansion plan and general economic conditions that may have an impact on the business or financial performance and position of the Group. The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of the Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules and regulations. The Company does not have any pre-determined dividend distribution ratio.

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 annual general 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 within 21 days of deposit of such requisition and put forward proposals at such meetings. 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 2019, there had been no change in the constitutional documents of the Company. The memorandum and articles of association of the Company are available for viewing on the websites of the Company and the Stock Exchange.

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 2019 is as follows:

Services rendered

	2019 **HK$'000**	2018 HK$'000
Audit service	**2,621**	2,492
Non-audit services	**–**	–
	2,621	2,492

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 35 to 41.

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 2019 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 2018 to 30 June 2019. 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 fleets 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's major emissions in 2019 were as follows:

Emissions	Unit	Volume	
		2019	2018
Direct greenhouse gas emissions	tCO_2e	**305**	257
Indirect greenhouse gas emissions	tCO_2e	**837**	1,077
Total greenhouse gas emissions	tCO_2e	**1,142**	1,334
Emission intensity (per HK$1 million revenue)	tCO_2e	**1.36**	1.36
Waste water	Tonne	**2,567**	2,822
Household garbage	Tonne	**2**	2
Waste paper	Tonne	**0.5**	1

During the financial year under review, the total greenhouse gas emissions decreased by approximately 192 tCO_2e compared to last year. The decrease was primarily attributable to the decrease in indirect greenhouse gas emissions stemmed from the implementation of more stringent measures to reduce energy consumption at premises and offices. The increase in direct greenhouse gas emissions was primarily attributable to the increase in the deployment of the Group's truck fleet team to replace outsourcing in distribution of products during the financial year.

The volume of waste water, household garbage and waste paper decreased or remained stable during the financial year under review.

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.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group's major energy consumption in 2019 were as follows:

Energy	Unit	Volume	
		2019	2018
Natural gas	m^3	**95,676**	112,371
Externally purchased electricity	MWh	**1,239**	1,367
Diesel	Litre	**5,777**	4,549
Gasoline	Litre	**8,011**	5,065
Total energy consumption	MWh	**2,439**	2,675
Energy consumption intensity (per HK$1 million revenue)	MWh	**2.90**	2.73

The Group's total water consumption and intensity 2019 were as follows:

Water	Unit	Volume	
		2019	2018
Water consumption	Tonne	**2,853**	3,135
Water consumption intensity (per HK$1 million revenue)	Tonne	**3.39**	3.19

During the financial year under review, the total energy consumption decreased by approximately 236 MWh compared to last year. The decrease was primarily attributable to the decrease in the consumption of natural gas and externally purchased electricity stemmed from the implementation of more stringent measures to reduce energy consumption at premises and offices. The increase in the consumption of diesel and gasoline was primarily attributable to the increase in the deployment of the Group's truck fleet team to replace outsourcing in distribution of products during the financial year.

The volume of water consumption decreased by approximately 282 tonnes was primarily attributable to the implementation of more stringent measures to reduce water consumption and lower business activities.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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 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 conference and meetings, and on-site assessment to understand the suppliers' operational standard.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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.

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 section 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

RSM

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 42 to 137, which comprise the consolidated statement of financial position as at 30 June 2019, 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 2019, 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.

INDEPENDENT AUDITOR'S REPORT

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 fast moving consumer goods ("FMCG") trading business segment assets

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment of goodwill Refer to note 20 to the consolidated financial statements. The Group has goodwill attributable to (1) provision of securities dealing services cash-generating unit ("CGU"); (2) distribution of cold chain products CGU; and (3) tourist retailing of jewellery products CGU with net carrying amounts totaled approximately HK$40 million before recognition of impairment loss as at 30 June 2019. 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 loss of approximately HK$1.5 million and HK$19.5 million were made during the year for goodwill on the provision of securities dealing services CGU and the distribution of cold chain products CGU respectively 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 MATTERS *(CONTINUED)*

Key Audit Matter *(Continued)*	How our audit addressed the Key Audit Matter *(Continued)*
2. Impairment assessment of agri-products business segment assets	
Refer to note 9 to the consolidated financial statements.	Our procedures in relation to management's impairment assessment included:
The Group has segment assets attributable to the cultivation, sale and trading of agri-products business segment with total carrying amount of approximately HK$800 million before recognition of impairment losses as at 30 June 2019.	• Assessing the integrity of the valuation model;
During the year, the agri-products business recorded a decline in revenue and incurred a segment loss which increases the risk that its segment assets may be impaired.	• Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business;
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.	• Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and
Impairment losses of approximately HK$8 million, HK$20 million and HK$29 million were made during the year for fixed assets, other intangible assets, prepayments and other receivables respectively to reduce their carrying amounts to their recoverable amounts.	• Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter *(Continued)*

3. Impairment assessment of logistics services business segment assets

Refer to note 9 to the consolidated financial statements.

The Group has segment assets attributable to the logistics services business segment with total carrying amount of approximately HK$213 million before recognition of impairment loss as at 30 June 2019.

During the year, the logistics services business recorded a decline in revenue and incurred a segment loss 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.

Impairment loss of approximately HK$42 million was made for fixed assets during the year to reduce their carrying amounts to their recoverable amounts.

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.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter *(Continued)*

4. Impairment assessment of FMCG trading business segment assets

Refer to note 9 to the consolidated financial statements.

The Group has segment assets attributable to the FMCG business segment with total carrying amount of approximately HK$766 million before recognition of impairment loss as at 30 June 2019.

During the year, the FMCG business recorded a decline in revenue and incurred a segment loss which increases the risk that its segment assets may be impaired.

The recoverable amount of the FMCG 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.

Impairment loss of approximately HK$39 million was made for fixed assets during the year to reduce their carrying amounts to their recoverable amounts.

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.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all of 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
30 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	7	**840,732**	981,491
Cost of sales		**(768,631)**	(890,237)
Gross profit		**72,101**	91,254
Changes in fair value due to biological transformation	26	**(19,420)**	(10,567)
Other gains and income	8	**17,840**	10,548
Selling and distribution expenses		**(68,704)**	(70,196)
Administrative expenses		**(95,038)**	(103,892)
Impairment losses on trade receivables and deposits and other receivables		**(20,587)**	(11,709)
Other operating expenses		**(173,204)**	(59,573)
Loss from operations		**(287,012)**	(154,135)
Finance costs	10	**(71)**	(54)
Share of loss of a joint venture		**–**	(2,713)
Gain/(loss) on disposal of subsidiaries		**59**	(270)
Loss before tax		**(287,024)**	(157,172)
Income tax credit	11	**1,048**	590
Loss for the year	12	**(285,976)**	(156,582)
Attributable to:			
Owners of the Company		**(285,081)**	(153,475)
Non-controlling interests		**(895)**	(3,107)
		(285,976)	(156,582)
Loss per share	15		
Basic		**HK(15 cents)**	HK(8 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2019

	2019 HK$'000	2018 HK$'000
Loss for the year	**(285,976)**	(156,582)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**2,608**	2,512
Deferred tax liability on revaluation of buildings	**(652)**	(628)
	1,956	1,884
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(23,794)**	26,527
Exchange differences reclassified to profit or loss upon disposal of subsidiaries	**(50)**	–
Fair value changes on available-for-sale financial assets	**–**	(946)
Fair value changes on financial assets at fair value through other comprehensive income ("FVTOCI")	**(49)**	–
Revaluation reserve of FVTOCI/available-for-sale financial assets reclassified to profit or loss upon disposal	**494**	26
	(23,399)	25,607
Other comprehensive income for the year, net of tax	**(21,443)**	27,491
Total comprehensive income for the year	**(307,419)**	(129,091)
Attributable to:		
Owners of the Company	**(306,504)**	(125,983)
Non-controlling interests	**(915)**	(3,108)
	(307,419)	(129,091)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Fixed assets	16	**364,948**	361,623
Prepaid land lease payments	17	**90,345**	84,576
Construction in progress	18	**32,939**	34,861
Bearer plants	19	**101,984**	98,690
Goodwill	20	**19,083**	20,957
Other intangible assets	21	**66,259**	84,307
Other assets	22	**3,215**	55,936
Investment in a joint venture	23	**–**	–
Investment in a club membership	24	**108**	108
Investments	25	**191,486**	12,688
Deferred tax assets	33	**3,480**	1,769
		873,847	755,515
Current assets			
Biological assets	26	**27,443**	29,127
Inventories	27	**144,591**	157,579
Trade receivables	28	**317,238**	347,490
Prepayments, deposits and other receivables		**141,713**	167,027
Investments	25	**7,456**	21,878
Pledged bank deposits	29	**–**	25,000
Client trust bank balances	29	**6,306**	3,932
Bank and cash balances	29	**463,242**	779,170
		1,107,989	1,531,203
TOTAL ASSETS		**1,981,836**	2,286,718
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	34	**187,270**	187,270
Reserves	36(a)	**1,664,722**	1,976,150
		1,851,992	2,163,420
Non-controlling interests		**(15,877)**	(15,865)
Total equity		**1,836,115**	2,147,555

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	33	**9,808**	9,210
Current liabilities			
Trade payables	30	**83,855**	90,953
Accruals and other payables		**31,149**	21,940
Borrowings	31	**20,169**	16,012
Finance lease payables	32	**–**	16
Current tax liabilities		**740**	1,032
		135,913	129,953
Total liabilities		**145,721**	139,163
TOTAL EQUITY AND LIABILITIES		**1,981,836**	2,286,718
Net current assets		**972,076**	1,401,250
Total assets less current liabilities		**1,845,923**	2,156,765

Approved by the Board of Directors on 30 September 2019 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 2019

	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$'000	FVTOCI reserve (note 36(c)(vi)) HK$'000	Special reserve (note 36(c) (vii)) HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity 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 year	–	–	–	26,528	–	1,884	(920)	–	–	(153,475)	(125,983)	(3,108)	(129,091)
Share issued under share option scheme (note 34)	7,200	21,326	–	–	(7,646)	–	–	–	–	–	20,880	–	20,880
Transfer of reserve upon lapse of share options	–	–	–	–	(3,000)	–	–	–	–	3,000	–	–	–
Change in equity for the year	7,200	21,326	–	26,528	(10,646)	1,884	(920)	–	–	(150,475)	(105,103)	(3,108)	(108,211)
At 30 June 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
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**
Adjustment on initial application of HKFRS 9 (note 3(a))	**-**	**-**	**-**	**-**	**-**	**-**	**445**	**(445)**	**-**	**(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 year	**-**	**-**	**-**	**(23,824)**	**-**	**1,956**	**-**	**445**	**-**	**(285,081)**	**(306,504)**	**(915)**	**(307,419)**
Acquisition of subsidiaries (note 38(a)(i))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,316**	**1,316**
Disposal of subsidiaries (note 38(b))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(413)**	**(413)**
Change in equity for the year	**-**	**-**	**-**	**(23,824)**	**-**	**1,956**	**-**	**445**	**-**	**(285,081)**	**(306,504)**	**(12)**	**(306,516)**
At 30 June 2019	**187,270**	**2,389,536**	**97**	**90,126**	**11,612**	**11,234**	**-**	**-**	**(86,094)**	**(751,789)**	**1,851,992**	**(15,877)**	**1,836,115**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	2019	2018
	HK$'000	HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(287,024)**	(157,172)
Adjustments for:		
Amortisation of other intangible assets	**29,069**	33,852
Amortisation of prepaid land lease payments, net of amount capitalised	**6,319**	6,331
Changes in fair value due to biological transformation	**19,420**	10,567
Depreciation, net of amount capitalised	**33,432**	32,361
Finance costs	**71**	54
Loss on disposal of fixed assets	**20**	3
Loss on disposal of financial assets at FVTOCI	**18**	–
(Gain)/loss on disposal of subsidiaries	**(59)**	270
Interest income	**(16,832)**	(9,025)
Share of loss of a joint venture	**–**	2,713
Impairment loss on trade receivables	**3,151**	10,055
Reversal of allowance for trade receivables	**–**	(119)
Impairment loss on deposits and other receivables	**17,436**	1,654
Impairment loss on prepayments	**22,036**	–
Impairment loss on fixed assets	**89,211**	–
Impairment loss on other intangible assets	**28,775**	–
Impairment loss on goodwill	**20,957**	19,770
Impairment loss on investment in a joint venture	**–**	13,636
Fixed assets written off	**–**	2,817
Other receivables written off	**–**	114
Unrealised exchange losses/(gain)	**328**	(180)
Fair value loss on financial assets at fair value through profit or loss ("FVTPL")	**9,384**	297
Write-back of accruals and other payables	**–**	(604)
Operating loss before working capital changes	**(24,288)**	(32,606)
(Increase)/decrease in biological assets	**(9,106)**	6,218
Decrease/(increase) in inventories	**32,068**	(163)
Decrease/(increase) in other assets	**27,439**	(12,094)
(Increase)/decrease in client trust bank balances	**(2,374)**	3,401
Decrease in trade and other receivables, prepayments and deposits	**26,779**	39,972
Decrease in trade and other payables	**(5,289)**	(28,023)
Purchase of financial assets at FVTPL	**(200,000)**	(8,425)
Cash used in operations	**(154,771)**	(31,720)
Income tax paid	**(812)**	(789)
Interest paid	**(70)**	(53)
Finance lease charges paid	**(1)**	(1)
Net cash used in operating activities	**(155,654)**	(32,563)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of subsidiaries	**(18,617)**	(152,000)
Interest received	**7,373**	9,025
Proceeds from disposal of subsidiaries, net	**(75)**	149,988
Proceeds from disposal of fixed assets	**41**	13
Proceeds from disposal of financial assets at FVTOCI (2018: available-for-sale financial assets)	**34,022**	17,873
Purchases of fixed assets	**(128,450)**	(15,688)
Purchases of financial assets at FVTOCI (2018: available-for-sale financial assets)	**(7,750)**	(10,728)
Purchase of other intangible assets	**(39,420)**	–
Decrease/(increase) in pledged bank deposits	**25,000**	(25,000)
Decrease/(increase) in time deposits with original maturity over three months	**92,861**	(106,438)
Additions to construction in progress	**(18,260)**	(21,590)
Net cash used in investing activities	**(53,275)**	(154,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issue of share capital	**–**	20,880
Repayment of bank loans	**(21,000)**	(40,000)
Drawdown of bank loans	**25,000**	21,000
Increase in import loans	**157**	1,686
Repayment of capital element of finance leases	**(16)**	(17)
Net cash generated from financing activities	**4,141**	3,549
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(204,788)**	(183,559)
Effect of foreign exchange rate changes	**(18,279)**	22,401
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**672,732**	833,890
CASH AND CASH EQUIVALENTS AT END OF YEAR	**449,665**	672,732
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**449,665**	672,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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, the 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 44 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 (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

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 new and revised HKFRSs that are first effective for annual periods beginning on or after 1 July 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 July 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 July 2018. The differences between carrying amounts as at 30 June 2018 and the carrying amounts as at 1 July 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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

HKFRS 9 Financial instruments (Continued)

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 FVTOCI or 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 investments 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 asset at its fair value plus, in the case of a financial asset 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 payments 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 loss is 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 loss, 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 loss is 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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

HKFRS 9 Financial instruments (Continued)

(b) Measurement *(Continued)*
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment loss (and reversal of impairment loss) on equity instruments measured at FVTOCI is not reported separately from other changes in fair value.

(c) Impairment
From 1 July 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") 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 summarises the impact on the Group's opening accumulated losses as at 1 July 2018 is as follows:

	Note	HK$'000
Increase in impairment losses for:		
– Financial assets at FVTOCI	(a)	67
– Trade receivables	(c)	4,044
– Deposits and other receivables	(d)	813
Adjustment to accumulated losses from adoption of HKFRS 9 on 1 July 2018		4,924
Attributable to:		
Owners of the Company		4,924

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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

HKFRS 9 Financial instruments (Continued)

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 HK$'000**	**Carrying amount under HKFRS 9 HK$'000**
Debt securities	(a)	Available-for-sale	FVTOCI	26,240	26,173
Equity securities	(b)	FVTPL	FVTPL	8,326	8,326
Trade receivables	(c)	Loans and receivables	Amortised cost	347,490	343,446
Deposits and other receivables	(d)	Loans and receivables	Amortised cost	143,641	142,828
Pledged bank deposits	29	Loans and receivables	Amortised cost	25,000	25,000
Client trust bank balances	29	Loans and receivables	Amortised cost	3,932	3,932
Bank and cash balances	29	Loans and receivables	Amortised cost	779,170	779,170

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

	Note	**Effect on investment revaluation reserve HK$'000**	**Effect on FVTOCI reserve HK$'000**	**Effect on accumulated losses HK$'000**
Opening balance – HKAS 39		(445)	–	(461,784)
Reclassify listed debt securities from available-for-sale to financial assets at FVTOCI	(a)	445	(445)	–
Opening balance – HKFRS 9		–	(445)	(461,784)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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

HKFRS 9 Financial instruments (Continued)

The effect on accumulated losses is before adjustment for impairment (see below).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 July 2018 have not been impacted by the initial application.

The Group did not designate or de-recognise any financial assets or financial liabilities at FVTPL at 1 July 2018.

Note:

(a) Listed debt securities were reclassified from available-for-sale to FVTOCI as the Group's business model is achieved by both collecting contractual cash flows and selling of these assets. The contractual cash flows of these investments are solely of payments of principal and interest. As a result, listed debt securities with a fair value of approximately HK$26,240,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and fair value losses of approximately HK$445,000 were reclassified from the investment revaluation reserve to FVTOCI reserve on 1 July 2018.

Listed debt securities at FVTOCI are considered to have low credit risk, and therefore the impairment provision is determined as 12-month ECL. Applying the expected credit risk model resulted in the recognition of a loss allowance of approximately HK$67,000 on 1 July 2018.

(b) Equity securities – held for trading are required to be held as FVTPL as under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

(c) Trade receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of approximately HK$4,044,000 in the allowance for impairment of trade receivables was recognised in opening accumulated losses at 1 July 2018 on transition to HKFRS 9.

(d) Deposits and other receivables that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of approximately HK$813,000 in the allowance for impairment of deposits and other receivables was recognised in opening accumulated losses at 1 July 2018 on transition to HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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

HKFRS 9 Financial instruments (Continued)

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

	Note	HK$'000
Impairment allowance at 30 June 2018 under HKAS 39		14,853
Additional impairment recognised at 1 July 2018 on:		
– Financial assets at FVTOCI	(a)	67
– Trade receivables	(c)	4,044
– Deposits and other receivables	(d)	813
Impairment allowance at 1 July 2018 under HKFRS 9		19,777

Impairment losses related to trade receivables and deposits and other receivables are presented separately in the statement of profit or loss. As a result, the Group reclassified impairment losses amounting to approximately HK$11,709,000 recognised under HKAS 39, from "other operating expenses" to "impairment losses on trade receivables and deposits and other receivables" in the statement of profit or loss for the year ended 30 June 2018.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated.

The adoption of HKFRS 15 resulted in the following changes to the Group's accounting policies.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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

HKFRS 15 Revenue from contracts with customers (Continued)

The Group engages in selling of consumer products and agri-products to customers. Sales are recognised when control of the products has been transferred, being when the products are picked up by customers at their designated port after inspection, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

A receivable is recognised when the products are picked up by customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Logistics services income is recognised when the services are rendered.

The Group acquired Lucky Billion Trading Limited ("Lucky Billion") on 2 May 2019. The operation was expanded into tourist retailing of jewellery products since then. The accounting policies of the new operation related to HKFRS 15 are set out in note 4(t) to the consolidated financial statements.

Before applying HKFRS 3 Business Combinations to the acquired Lucky Billion, the Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 July 2018, to the financial statements of Lucky Billion. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate).

The Group operates a retail store selling jewellery products. Revenue from the sale of goods is recognised when the Group sells a product to the customers. Payment of the transaction price is due immediately when the customer purchases the goods. It is the Group's policy to sell its products to the end customer with a right of return within 180 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in inventories) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

The Group also provides stock-broking and securities dealing services. Such revenue is recognised on a trade date basis when the relevant transactions are executed.

The Group has assessed that there is no impact on the Group's opening accumulated losses as at 1 July 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 on 1 July 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 – 2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	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 HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 31 December 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office premises, storage premises and farmland leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 (Continued)

As disclosed in note 42, the Group's future minimum lease payments under non-cancellable operating leases for its office premises, storage premises and farmland amounted to approximately HK$24,806,000 as at 30 June 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2020 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

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 and certain financial instruments 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 2019

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 ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. NCI are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. NCI 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 NCI 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 NCI are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the NCI 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 NCI 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Joint arrangements *(Continued)*

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.

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 ("HK$"), 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Fixed assets *(Continued)*

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 accumulated losses.

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 – 10 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.

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 depreciation 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 or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leases

The Group as lessee

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

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

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

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

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

The Group as lessor

(i) Operating leases
Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(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 4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 commission paid to brokers and dealers and estimated costs of transport to the market but exclude 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 entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

Policy prior to 1 July 2018

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(o) Cash and cash equivalents

Cash and cash equivalents comprise 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 which are subject to an insignificant risk of change in value, having been within three months of maturity at acquisition. 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 for the purpose of consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(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

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

The Group engages in selling of consumer products and agri-products to customers. Sales are recognised when control of the products has been transferred, being when the products are picked up by customers at their designated port after inspection, the customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery occurs when the products have been shipped to the specific location.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Revenue recognition *(Continued)*

A receivable is recognised when the products are picked up by customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Logistics services income is recognised at the point in time after the services are rendered.

Revenue from the sale of jewellery products is recognised when control of the goods has been transferred, being at the point the customer purchases the products at the retail shop. Payment of the transaction price is due immediately at the point the customer purchases the products. Under the Group's standard contract terms, customers have a right of return within 180 days. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. At the same time, the Group has a right to recover the product when customers exercise their right of return so consequently recognises a right to returned goods asset and a corresponding adjustment to cost of sales. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. It is considered highly probable that a significant reversal in the cumulative revenue recognised will not occur given the consistent level of returns over previous years.

The Group also provides stock-broking and securities dealing services. Such revenue is recognised on a trade date basis when the relevant transactions are executed.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

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

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

Policy prior to 1 July 2018

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 2019

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 2019

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 interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Impairment of non-financial assets

Other 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

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at FVTOCI and trade and other receivables. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk for a particular financial instrument;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

– an actual or expected significant deterioration in the operating results of the debtor;

– significant increases in credit risk on other financial instruments of the same debtor; and

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for trade receivables from dealing in securities which the Group holds the trading shares as collaterals), unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– probable bankruptcy entered by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are long-aged past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the financial assets at FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Policy prior to 1 July 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at FVTPL) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Policy prior to 1 July 2018 (Continued)

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 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 2019

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 a joint venture of the Group.

(e) Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(f) Significant increase in credit risk

As explained in note 4(z), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

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 2019 was approximately HK$364,948,000 (2018: HK$361,623,000).

(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 2019 was approximately HK$66,259,000 (2018: HK$84,307,000).

(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, income tax of approximately HK$1,048,000 (2018: HK$590,000) was credited to profit or loss based on the estimated profit.

(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$19,083,000 (2018: HK$20,957,000) after an impairment loss of approximately HK$20,957,000 (2018: HK$19,770,000) was recognised during the year. Details of the impairment test are explained in note 20 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

Key sources of estimation uncertainty *(Continued)*

(e) Impairment of segment assets (excluding goodwill and trade receivables)

Determining whether a segment asset is impaired requires an estimation of the value in use of the CGU to which the segment 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 fast moving consumer goods ("FMCG") trading business segment assets, 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$727,481,000 (2018: HK$953,185,000), HK$732,011,000 (2018: HK$815,798,000), HK$170,730,000 (2018: HK$231,701,000) and HK$Nil (2018: HK$Nil) after impairment losses. Impairment losses of approximately HK$38,717,000 (2018: HK$Nil), HK$57,450,000 (2018: HK$Nil), HK$42,451,000 (2018: HK$Nil) and HK$Nil (2018: HK$13,636,000) was recognised to FMCG trading business segment assets, agri-products business segment assets, logistics services business segment assets and investment in a joint venture during the year.

(f) Impairment of trade receivables and deposits and other receivables

Prior to the adoption of HKFRS 9 on 1 July 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables and deposits and other receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables and deposits and other receivables including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 30 June 2018, the carrying amounts of trade receivables and deposits and other receivables were approximately HK$347,490,000 and HK$143,641,000 respectively (net of accumulated impairment losses of approximately HK$10,373,000 and HK$4,480,000 respectively).

Since the adoption of HKFRS 9 on 1 July 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables and deposits and other receivables based on the credit risk of trade receivables and deposits and other receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 30 June 2019, the carrying amounts of trade receivables and deposits and other receivables are approximately HK$317,238,000 and HK$120,827,000 respectively (net of accumulated impairment losses of approximately HK$17,553,000 and HK$22,530,000 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 2019 (2018: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 2019 was approximately HK$95,682,000 (2018: HK$100,357,000).

(i) Fair value of unlisted debt investments

The Group appointed an independent professional valuer to assess the fair values of the unlisted debt investments. In determining the fair values of the unlisted debt investments, the valuer has utilised methods of valuation which involve 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 values and current market conditions.

The carrying amount of the unlisted debt investments as at 30 June 2019 was approximately HK$191,486,000 (2018: HK$Nil).

(j) 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 2019 was approximately HK$101,984,000 (2018: HK$98,690,000).

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments at 30 June

	2019 **HK$'000**	2018 HK$'000
Financial assets:		
Financial assets at FVTPL:		
Mandatorily measured at FVTPL		
– Held for trading	**7,456**	8,326
– Unlisted debt investments	**191,486**	–
Financial assets measured at amortised cost	**907,613**	–
Available-for-sale financial assets	**–**	26,240
Loans and receivables (including cash and cash equivalents)	**–**	1,299,233
Financial liabilities:		
Financial liabilities at amortised cost	**134,862**	128,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(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 principally 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 monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

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

	2019	2018
	HK$'000	HK$'000
ASSETS		
RMB	**82,523**	89,323
USD	**101,490**	139,949
LIABILITIES		
RMB	**–**	5,201
USD	**71,993**	68,449

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as HK$ is pegged with USD. At 30 June 2019, if HK$ had weakened/strengthened 4% (2018: 3%) against RMB with all other variables held constant, consolidated loss after tax for the year ended 30 June 2019 would have been approximately HK$3,301,000 (2018: HK$2,524,000) lower/higher, arising mainly as a result of the foreign exchange gain/loss on bank balances and deposits and other receivables denominated in RMB (2018: bank balances, investments, deposits and other receivables and accruals and other payables).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(ii) Price risk

The Group's investments classified as financial assets at FVTOCI (2018: available-for-sale financial assets) and financial assets at FVTPL are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to debt/equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

If the prices of the Group's investments excluding unlisted debt investments had been 10% higher/lower with all other variables held constant, consolidated loss after tax and other comprehensive income for the year ended 30 June 2019 would be decreased/increased by approximately HK$746,000 (2018: HK$833,000) and increased/decreased by approximately HK$Nil (2018: HK$2,624,000) respectively as a result of changes in fair value of investments.

(iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and deposits and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30-180 days from the date of billing (except for trade receivables from dealing in securities). Debtors with balances that are more than 3-6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers (except for collaterals obtained from customers for securities dealing business).

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Trade receivables *(Continued)*
The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 30 June 2019:

	Expected credit loss rate	Gross carrying amount excluding specific trade receivables	Expected credit losses excluding specific trade receivables	Gross carrying amount of specific trade receivables	Loss allowance for specific trade receivables	Total loss allowance
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Securities dealing segment						
Current (not past due)	0%	727	–	2,899	(2,899)	(2,899)
1 – 30 days past due	0%	2,466	–	–	–	–
31 – 90 days past due	0%	2,932	–	312	(312)	(312)
91 – 180 days past due	0%	92	–	–	–	–
More than 180 days past due	100%	44	(44)	1,021	(1,021)	(1,065)
		6,261	(44)	4,232	(4,232)	(4,276)
Other segments						
Current (not past due)	0%	308,558	–	–	–	–
1 – 30 days past due	0%	3	–	–	–	–
31 – 60 days past due	0%	–	–	–	–	–
61 – 90 days past due	0%	–	–	–	–	–
More than 90 days past due	62%	6,460	(4,000)	9,277	(9,277)	(13,277)
		315,021	(4,000)	9,277	(9,277)	(13,277)
Total		321,282	(4,044)	13,509	(13,509)	(17,553)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Trade receivables *(Continued)*
Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Prior to 1 July 2018
Prior to 1 July 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 30 June 2018, trade receivables of approximately HK$10,373,000 was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2018
	HK$'000
Neither past due nor impaired	346,278
1 – 30 days past due	1,097
31 – 60 days past due	115
	347,490

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Trade receivables *(Continued)*
Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019	2018
	HK$'000	HK$'000
At 30 June under HKAS 39	**10,373**	418
Impact on initial application of HKFRS 9 (note 3(a))	**4,044**	–
Adjusted balance at 1 July	**14,417**	418
Impairment loss recognised for the year (note 12)	**3,151**	10,055
Reversals	**–**	(119)
Exchange differences	**(15)**	19
At 30 June (note 28)	**17,553**	10,373

The origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately HK$3,151,000 contributed to the increase in the loss allowance during the year ended 30 June 2019.

Deposits and other receivables
The loss allowance for deposits and other receivables at amortised cost as at 30 June 2018 reconciles to the opening loss allowance on 1 July 2018 and to the closing allowance as at 30 June 2019 as follows:

	2019	2018
	HK$'000	HK$'000
At 30 June under HKAS 39	**4,480**	2,826
Impact on initial application of HKFRS 9 (note 3(a))	**813**	–
Adjusted balance at 1 July	**5,293**	2,826
Impairment loss recognised for the year (note 12)	**17,436**	1,654
Exchange differences	**(199)**	–
At 30 June	**22,530**	4,480

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Financial assets at FVTOCI and amortised cost
All of the Group's investments at FVTOCI and amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers 'low credit risk' for unlisted debt securities to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group is also exposed to credit risk in relation to unlisted debt investments that are measured at FVTPL. The maximum exposure at the end of the reporting period is the carrying amount of these investments of approximately HK$191,486,000 (2018: HK$Nil).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iv) Liquidity risk (Continued)

	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 2019				
Trade payables	**–**	**83,855**	**–**	**83,855**
Accruals and other payables	**–**	**30,838**	**–**	**30,838**
Borrowings subject to a repayment on demand clause	**20,169**	**–**	**–**	**20,169**
	20,169	**114,693**	**–**	**134,862**
At 30 June 2018				
Trade payables	–	90,953	–	90,953
Accruals and other payables	–	21,541	–	21,541
Borrowings subject to a repayment on demand clause	16,012	–	–	16,012
Finance lease payables	–	17	–	17
	16,012	112,511	–	128,523

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

	Less than 1 year HK$'000
At 30 June 2019	**20,206**
At 30 June 2018	16,022

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(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 2019 would be increased/decreased by approximately HK$15,000 (2018: HK$69,000), arising mainly as a result of higher interest expenses on bank loans.

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.

(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 categories 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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:

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2019 HK$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	**7,456**	**–**	**–**	**7,456**
– Unlisted debt investments in Hong Kong	**–**	**–**	**191,486**	**191,486**
Buildings				
Commercial and industrial – the PRC	**–**	**–**	**95,682**	**95,682**
Total recurring fair value measurements	**7,456**	**–**	**287,168**	**294,624**

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2018 HK$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
Listed equity securities – in Hong Kong	8,326	–	–	8,326
Available-for-sale financial assets				
Unlisted debt securities				
– in Hong Kong	–	11,671	–	11,671
– outside Hong Kong	–	14,569	–	14,569
Buildings				
Commercial and industrial – the PRC	–	–	100,357	100,357
Total recurring fair value measurements	8,326	26,240	100,357	134,923

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

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

Description	Financial assets at FVTPL Unlisted debt investments in Hong Kong HK$'000	Buildings Commercial and industrial – the PRC HK$'000	Total HK$'000
At 1 July 2018	–	100,357	100,357
Purchases	200,000	–	200,000
Total gains or losses recognised in profit or loss			
– Fair value loss on financial assets at FVTPL	(8,514)	–	(8,514)
– Depreciation	–	(2,723)	(2,723)
Total gains or losses recognised in other comprehensive income			
– Fair value change on revaluation of buildings	–	2,608	2,608
– Exchange differences	–	(4,560)	(4,560)
At 30 June 2019	191,486	95,682	287,168
Include gains or losses for assets held at end of reporting period	**(8,514)**	**(2,723)**	**(11,237)**

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in other operating expenses in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

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

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

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

Level 3 fair value measurements

Description	Valuation technique	Key unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2019 HK$'000	Fair value 2018 HK$'000
Buildings						
Commercial and industrial – the PRC	Depreciated replacement cost	Discount rate	28.92% (2018: 26.87%)	Decrease	**95,682**	100,357
		Replacement cost (per sq.m)	RMB2,652 to RMB7,304 (2018: RMB2,563 to RMB7,175)	Increase		
Unlisted debt investments in Hong Kong	Binomial Option Pricing Model	Expected volatilities	78.538% to 83.712%	Increase	**191,486**	–

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

7. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines for the year is as follows:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of consumer goods	494,973	559,581
– Sales of agri-products	324,759	390,137
– Logistics services income	15,340	19,838
– Sales of jewellery products in tourist retailing	2,913	–
– Commission and brokerage income on securities dealings	2,503	5,670
– Revenue from liveshow and merchandising goods	–	6,265
– Others	244	–
	840,732	981,491

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions:

	For the year ended 30 June 2019							
	Consumer goods HK$'000	Agri-products HK$'000	Logistics services HK$'000	Tourist retailing HK$'000	Securities dealing services HK$'000	Liveshow and merchandising goods HK$'000	Others HK$'000	Total HK$'000
Primary geographical markets								
Hong Kong	–	59,257	–	2,913	2,503	–	–	64,673
PRC except Hong Kong	494,973	265,502	15,340	–	–	–	244	776,059
Revenue from external customers	494,973	324,759	15,340	2,913	2,503	–	244	840,732
Timing of revenue recognition								
Products transferred at a point in time	494,973	324,759	15,340	2,913	2,503	–	–	840,488
Products and services transferred over time	–	–	–	–	–	–	244	244
Total	494,973	324,759	15,340	2,913	2,503	–	244	840,732

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

7. REVENUE *(CONTINUED)*

Disaggregation of revenue *(Continued)*

	For the year ended 30 June 2018							
	Consumer goods HK$'000	Agri-products HK$'000	Logistics services HK$'000	Tourist retailing HK$'000	Securities dealing services HK$'000	Liveshow and merchandising goods HK$'000	Others HK$'000	Total HK$'000
Primary geographical markets								
Hong Kong	–	58,161	–	–	5,670	–	–	63,831
PRC except Hong Kong	559,581	331,976	19,838	–	–	6,265	–	917,660
Revenue from external customers	559,581	390,137	19,838	–	5,670	6,265	–	981,491
Timing of revenue recognition								
Products transferred at a point in time	559,581	390,137	19,838	–	5,670	6,265	–	981,491
Products and services transferred over time	–	–	–	–	–	–	–	–
Total	559,581	390,137	19,838	–	5,670	6,265	–	981,491

8. OTHER GAINS AND INCOME

	2019 HK$'000	2018 HK$'000
Dividend income from listed equity investments	**45**	5
Interest income on bank deposits	**6,833**	7,228
Interest income on financial assets at FVTPL	**9,460**	–
Interest income on financial assets at FVTOCI (2018: available-for-sale financial assets)	**539**	1,897
Reversal of allowance for trade receivables	**–**	119
Sundry income	**963**	695
Write-back of accruals and other payables	**–**	604
	17,840	10,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

9. SEGMENT INFORMATION

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

The Group's other operating segments include the provision of securities dealing services, sub-licensing of trademarks, tourist retailing of jewellery products and organisation of concert scaled liveshow 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/loss on disposal of subsidiaries and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investment in a joint venture, investments, investment in a club membership and certain fixed assets. Segment liabilities do not include borrowings 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 2019

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 2019					
Revenue from external customers	494,973	324,759	15,340	5,660	840,732
Segment loss	(45,277)	(124,575)	(45,843)	(22,693)	(238,388)
Depreciation and amortisation	29,309	29,114	9,758	575	68,756
Income tax (expense)/credit	–	(440)	(158)	1,804	1,206
Other material non-cash items:					
Changes in fair value due to biological transformation	–	19,420	–	–	19,420
Impairment losses on trade receivables, prepayments and other receivables	–	28,932	–	3,151	32,083
Impairment loss on deposits	–	10,540	–	–	10,540
Impairment loss on fixed assets	38,717	8,043	42,451	–	89,211
Impairment loss on other intangible assets	–	20,475	–	8,300	28,775
Additions to segment non-current assets	73,575	95,670	34,155	88	203,488
At 30 June 2019					
Segment assets	727,481	732,011	170,730	52,586	1,682,808
Segment liabilities	56,456	30,484	9,218	11,482	107,640

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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	Logistics Services Business HK$'000	All other segments HK$'000	Total HK$'000
Year ended 30 June 2018					
Revenue from external customers	559,581	390,137	19,838	11,935	981,491
Segment profit/(loss)	8,077	(84,313)	2,627	(15,889)	(89,498)
Depreciation and amortisation	28,806	26,296	11,065	6,307	72,474
Income tax (expense)/credit	–	(417)	(173)	1,353	763
Other material non-cash items:					
Changes in fair value due to biological transformation	–	10,567	–	–	10,567
Impairment loss on trade receivables	–	8,489	485	1,081	10,055
Additions to segment non-current assets	5,387	22,079	3,506	6,209	37,181
At 30 June 2018					
Segment assets	953,185	815,798	231,701	46,128	2,046,812
Segment liabilities	54,673	43,208	10,696	7,019	115,596

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

9. SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of reportable segment loss, assets and liabilities:

	2019 **HK$'000**	2018 HK$'000
Loss		
Total loss of reportable segments	**(238,388)**	(89,498)
Gain/(loss) on disposal of subsidiaries	**59**	(270)
Fair value loss on financial assets at FVTPL	**(9,384)**	(297)
Impairment loss on goodwill	**(20,957)**	(19,770)
Impairment loss on investment in a joint venture	**–**	(13,636)
Share of loss of a joint venture	**–**	(2,713)
Unallocated amounts:		
Other corporate expenses	**(17,306)**	(30,398)
Consolidated loss for the year	**(285,976)**	(156,582)
Assets		
Total assets of reportable segments	**1,682,808**	2,046,812
Investment in a joint venture	**–**	–
Unallocated amounts:		
Investments	**198,942**	34,566
Other corporate assets	**100,086**	205,340
Consolidated total assets	**1,981,836**	2,286,718
Liabilities		
Total liabilities of reportable segments	**107,640**	115,596
Unallocated amounts:		
Other corporate liabilities	**38,081**	23,567
Consolidated total liabilities	**145,721**	139,163

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

9. SEGMENT INFORMATION *(CONTINUED)*

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	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**64,673**	63,831	**20,204**	10,982
PRC except Hong Kong	**776,059**	917,660	**658,447**	705,172
Thailand	**–**	–	**–**	11,024
Consolidated total	**840,732**	981,491	**678,651**	727,178

Revenue from major customer:

For the years ended 30 June 2019 and 2018, the revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue and accordingly, no major customer information is presented.

10. FINANCE COSTS

	2019	2018
	HK$'000	HK$'000
Interest on borrowings	**70**	53
Finance lease charges	**1**	1
	71	54

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

11. INCOME TAX CREDIT

	2019	2018
	HK$'000	HK$'000
Current tax – Hong Kong Profits Tax		
Provision for the year	**440**	467
Over-provision in prior years	**–**	(50)
	440	417
Current tax – Overseas		
Provision for the year	**–**	–
Deferred tax (note 33)	**(1,488)**	(1,007)
	(1,048)	(590)

Hong Kong Profits Tax has been provided at a rate of 16.5% (2018: 16.5%) on the estimated assessable profit less allowable losses brought forward for the year ended 30 June 2019.

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year of assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 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 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% (2018: 25%), based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

11. INCOME TAX CREDIT *(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:

	2019				2018			
	Macau	Hong Kong	PRC	Total	Macau	Hong Kong	PRC	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Profit/(Loss) before tax	15,132	(40,202)	(261,954)	(287,024)	44,043	(41,268)	(159,947)	(157,172)
Applicable income tax rate	12.00%	16.50%	25.00%		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	1,816	(6,634)	(65,488)	(70,306)	5,285	(6,809)	(39,987)	(41,511)
Tax effect of income not taxable	–	(435)	(1,524)	(1,959)	–	(94)	(2,047)	(2,141)
Tax effect of expenses not deductible	–	6,497	65,119	71,616	1,045	4,681	40,209	45,935
Profits exempted from the Macau Complementary Tax	(1,816)	–	–	(1,816)	(6,330)	–	–	(6,330)
Tax effect of unused tax losses not recognised	–	213	2,038	2,251	–	1,064	2,112	3,176
Tax effect of utilisation of tax losses not previously recognised	–	(709)	–	(709)	–	–	–	–
Tax effect of unrecognised temporary difference	–	(38)	78	40	–	(10)	58	48
Tax effect of share of loss of a joint venture	–	–	–	–	–	448	–	448
Over-provision in prior years	–	–	–	–	–	(50)	–	(50)
Tax effect of change of tax rate	–	(165)	–	(165)	–	(165)	–	(165)
Income tax (credit)/expense	–	(1,271)	223	(1,048)	–	(935)	345	(590)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

12. LOSS FOR THE YEAR

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

	2019 HK$'000	2018 HK$'000
Amortisation of prepaid land lease payments (note 17)	**10,802**	10,814
Amortisation of other intangible assets (note 21)	**29,069**	33,852
Auditors' remuneration		
Audit services	**2,621**	2,492
Non-audit services	**–**	–
	2,621	2,492
Cost of inventories sold	**714,647**	824,435
Depreciation, net of amount capitalised (note 16)	**33,432**	32,361
Exchange losses, net	**2,823**	6,193
Fair value loss on financial assets at FVTPL, net	**9,384**	297
Loss on disposal of financial assets at FVTOCI	**18**	–
Loss on disposal of fixed assets	**20**	3
Impairment loss on deposits and other receivables	**17,436**	1,654
Impairment loss on fixed assets (note 16)	**89,211**	–
Impairment loss on goodwill (note 20)	**20,957**	19,770
Impairment loss on investment in a joint venture	**–**	13,636
Impairment loss on other intangible assets (note 21)	**28,775**	–
Impairment loss on prepayments	**22,036**	–
Impairment loss on trade receivables (note 28)	**3,151**	10,055
Fixed assets written off	**–**	2,817
Other receivables written off	**–**	114
Operating lease charges in respect of land and buildings, net of amount capitalised	**26,400**	26,554
Rental income#	**(836)**	(769)
Staff costs (excluding directors' emoluments – note 13)		
Staff salaries, bonus and allowances	**25,856**	23,743
Retirement benefits scheme contributions	**805**	603
	26,661	24,346

Included in logistics services income in note 7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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:

	2019	2018
	HK$'000	HK$'000
Fees	**450**	450
Other emoluments:		
Salaries, bonuses, allowances and benefits in kind	**7,258**	7,896
Retirement benefits scheme contributions	**61**	69
	7,769	8,415

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:

	2019	2018
	HK$'000	HK$'000
Fees		
Mr. Poon Yiu Cheung Newman	**150**	150
Ms. Mak Yun Chu	**150**	150
Mr. Hung Hing Man	**150**	150
	450	450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

(a) Directors' emoluments *(Continued)*

(ii) Executive directors

	Fees HK$'000	Salaries, bonuses, allowances and benefits in kind HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2019				
Mr. Lam Kwok Hing	**–**	**2,876**	**18**	**2,894**
Ms. Lee Choi Lin Joecy	**–**	**802**	**16**	**818**
Ms. Hung Sau Yung Rebecca (note 1)	**–**	**797**	**9**	**806**
Ms. Gao Qin Jian	**–**	**983**	**–**	**983**
Mr. Chan Cheuk Yu Stephen	**–**	**1,800**	**18**	**1,818**
	–	**7,258**	**61**	**7,319**
2018				
Mr. Lam Kwok Hing	–	2,792	18	2,810
Ms. Lee Choi Lin Joecy	–	778	15	793
Ms. Hung Sau Yung Rebecca (note 1)	–	1,525	18	1,543
Ms. Gao Qin Jian	–	1,001	–	1,001
Mr. Chan Cheuk Yu Stephen	–	1,800	18	1,818
	–	7,896	69	7,965

Note:

1. Retired on 21 December 2018

Mr. Lam Kwok Hing is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.

There was no arrangement under which a director waived or agreed to waive any emolument during the year (2018: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

(a) Directors' emoluments *(Continued)*

The five highest paid individuals in the Group during the year included two (2018: three) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2018: two) individuals are set out below:

	2019 **HK$'000**	2018 HK$'000
Salaries, bonuses, allowances and benefits in kind	**3,657**	3,075
Retirement benefits scheme contributions	**45**	36
	3,702	3,111

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**1**	1
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 (2018: 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 2019 (2018: 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$285,081,000 (2018: HK$153,475,000) and the weighted average number of ordinary shares of 1,872,696,182 (2018: 1,838,175,634) in issue during the year.

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 2019 and 30 June 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 2017	97,125	502,499	21,430	319,951	35,612	976,617
Disposal of subsidiaries	–	–	–	–	(6,114)	(6,114)
Additions	–	–	4,463	4,650	6,575	15,688
Disposals	–	–	–	–	(27)	(27)
Written off	–	–	–	(22,670)	(3,513)	(26,183)
Adjustment on revaluation	(238)	–	–	–	–	(238)
Exchange differences	3,470	–	226	793	406	4,895
At 30 June 2018 and 1 July 2018	100,357	502,499	26,119	302,724	32,939	964,638
Additions	–	52,710	18,782	42,481	14,477	128,450
Transfer from construction in progress	–	–	–	20,182	–	20,182
Disposals	–	–	–	–	(15,027)	(15,027)
Written off	–	–	(571)	(81,948)	(1,270)	(83,789)
Adjustment on revaluation	(115)	–	–	–	–	(115)
Exchange differences	(4,560)	–	(499)	(1,061)	(557)	(6,677)
At 30 June 2019	95,682	555,209	43,831	282,378	30,562	1,007,662
Accumulated depreciation and impairment						
At 1 July 2017	–	360,953	8,580	172,463	33,699	575,695
Depreciation charge for the year	2,750	23,550	1,778	23,634	1,055	52,767
Disposal of subsidiaries	–	–	–	–	(728)	(728)
Disposals	–	–	–	–	(11)	(11)
Written off	–	–	–	(19,853)	(3,513)	(23,366)
Adjustment on revaluation	(2,750)	–	–	–	–	(2,750)
Exchange differences	–	–	227	784	397	1,408
At 30 June 2018 and 1 July 2018	–	384,503	10,585	177,028	30,899	603,015
Depreciation charge for the year	2,723	23,550	2,319	24,763	507	53,862
Disposals	–	–	–	–	(14,966)	(14,966)
Impairment loss (note 12)	–	–	–	75,037	14,174	89,211
Written off	–	–	(571)	(81,948)	(1,270)	(83,789)
Adjustment on revaluation	(2,723)	–	–	–	–	(2,723)
Exchange differences	–	–	(317)	(1,042)	(537)	(1,896)
At 30 June 2019	–	408,053	12,016	193,838	28,807	642,714
Carrying amount						
At 30 June 2019	**95,682**	**147,156**	**31,815**	**88,540**	**1,755**	**364,948**
At 30 June 2018	100,357	117,996	15,534	125,696	2,040	361,623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 2019						
At cost	**–**	**555,209**	**43,831**	**282,378**	**30,562**	**911,980**
At valuation	**95,682**	**–**	**–**	**–**	**–**	**95,682**
	95,682	**555,209**	**43,831**	**282,378**	**30,562**	**1,007,662**
At 30 June 2018						
At cost	–	502,499	26,119	302,724	32,939	864,281
At valuation	100,357	–	–	–	–	100,357
	100,357	502,499	26,119	302,724	32,939	964,638

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

Depreciation charge for the year is analysed as follows:

	2019 **HK$'000**	2018 HK$'000
Charged to profit or loss (note 12)	**33,432**	32,361
Capitalised as bearer plants	**3,840**	3,840
Capitalised as biological assets (note 26)	**16,590**	16,566
	53,862	52,767

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

At 30 June 2019, the carrying amount of the Group's buildings would have been approximately HK$77,437,000 (2018: HK$83,621,000) had they been stated at cost less accumulated depreciation.

At 30 June 2019, the carrying amount of office equipment held by the Group under finance leases amounted to HK$Nil (2018: HK$24,000).

Impairment loss of approximately HK$89,211,000 (included in other operating expenses) against fixed assets included in FMCG Trading Business segment of approximately HK$38,717,000, Agri-Products Business segment of approximately HK$8,043,000 and Logistics Services Business segment of approximately HK$42,451,000 were recognised in profit or loss during the year. The recoverable amount of the relevant assets was determined on the basis of their value in use by using discounted cash flow method. The pre-tax discount rates used were 13.16%, 15.45% and 16.05% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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 2017	94,679
Amortisation for the year (note 12)	(10,814)
Exchange differences	711
At 30 June 2018 and 1 July 2018	84,576
Additions	17,488
Amortisation for the year (note 12)	(10,802)
Exchange differences	(917)
At 30 June 2019	**90,345**

18. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2017	13,271
Additions	21,590
At 30 June 2018 and 1 July 2018	34,861
Additions	18,260
Transfer to fixed assets	(20,182)
At 30 June 2019	**32,939**

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For the year ended 30 June 2019

19. BEARER PLANTS

	Fruit trees HK$'000
Infant trees	
Cost	
At 1 July 2017	38,551
Additions	6,012
At 30 June 2018 and 1 July 2018	44,563
Additions	6,016
At 30 June 2019	50,579
Mature trees	
Cost	
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019	74,022
Accumulated depreciation and impairment	
At 1 July 2017	17,172
Charge for the year	2,723
At 30 June 2018 and 1 July 2018	19,895
Charge for the year	2,722
At 30 June 2019	22,617
Total carrying amount	
At 30 June 2019	**101,984**
At 30 June 2018	98,690

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19. BEARER PLANTS *(CONTINUED)*

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

	2019	2018
Infant trees	**78,600**	78,600
Mature trees	**208,000**	208,000
	286,600	286,600

20. GOODWILL

	HK$'000
Cost	
At 1 July 2017	426,968
Disposal of subsidiaries	(142,950)
At 30 June 2018 and 1 July 2018	284,018
Arising on acquisition of subsidiaries (note 38(a))	23,011
Disposal of subsidiaries (note 38(b))	(3,928)
At 30 June 2019	303,101
Accumulated impairment	
At 1 July 2017	261,580
Disposal of subsidiaries	(18,289)
Impairment loss recognised in the year (note 12)	19,770
At 30 June 2018 and 1 July 2018	263,061
Impairment loss recognised in the year (note 12)	20,957
At 30 June 2019	284,018
Carrying amount	
At 30 June 2019	**19,083**
At 30 June 2018	20,957

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20. GOODWILL *(CONTINUED)*

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

	2019		
	Allocated goodwill	**Accumulated impairment**	**Net carrying amount**
	HK$'000	**HK$'000**	**HK$'000**
Provision of securities dealing services ("Securities Dealing CGU")	**1,493**	**(1,493)**	**–**
Distribution of cosmetic products business ("Cosmetic CGU")	**89,472**	**(89,472)**	**–**
Cultivation and distribution of agri-products business ("Agri CGU")	**112,473**	**(112,473)**	**–**
Provision of cold chain facilities and logistics services business ("Logistics CGU")	**11,535**	**(11,535)**	**–**
Distribution of cold chain products business ("Cold Chain CGU")	**69,045**	**(69,045)**	**–**
Tourist retailing of jewellery products business ("Jewellery CGU")	**19,083**	**–**	**19,083**
	303,101	**(284,018)**	**19,083**

	2018		
	Allocated goodwill	Accumulated impairment	Net carrying amount
	HK$'000	HK$'000	HK$'000
Securities Dealing CGU	1,493	–	1,493
Cosmetic CGU	89,472	(89,472)	–
Agri CGU	112,473	(112,473)	–
Logistics CGU	11,535	(11,535)	–
Cold Chain CGU	69,045	(49,581)	19,464
	284,018	(263,061)	20,957

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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For the year ended 30 June 2019

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 revenue 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 revenue are based on past practices and expectations on market development.

For Securities Dealing CGU and Jewellery 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% (2018: 3%) and 3% (2018: Nil) respectively. This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax rate used to discount the forecasted cash flows from the Group's Securities Dealing CGU, and Jewellery CGU are 14.85% and 11.21% respectively (2018: 18.28% and 13.48% for Securities Dealing CGU and Cold Chain CGU respectively).

At 30 June 2019, before impairment testing, goodwill of approximately HK$69,045,000 (2018: HK$69,045,000) was allocated to the Cold Chain CGU within the FMCG Trading Business segment. During the year, the Group has ceased to trade the cold chain products. As a result, an impairment loss of approximately HK$19,464,000 (2018: HK$19,770,000) on goodwill was recognised (included in other operating expenses).

At 30 June 2019, before impairment testing, goodwill of approximately HK$1,493,000 (2018: HK$1,493,000) was allocated to the Securities Dealing CGU. During the year, due to the downturn in global financial markets, the Group assessed its cash flows forecast for this CGU and recognised an impairment loss of approximately HK$1,493,000 on goodwill and HK$8,300,000 on other intangible assets was recognised (included in other operating expenses) associated with the Securities Dealing CGU.

In 2018, the slowing down of the overall PRC economy and the rising competition from domestic brands reduced the overall demand for the consumables goods which the Group is trading. The Group has revised its cash flow forecasts for Cold Chain CGU and impairment loss of approximately HK$19,770,000 (included in other operating expenses) was recognised to write down the goodwill allocated to Cold Chain CGU.

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For the year ended 30 June 2019

21. OTHER INTANGIBLE ASSETS

	The Stock Exchange trading right HK$'000	Licensed right HK$'000	Money lender license HK$'000	Distribution rights HK$'000	Trademark HK$'000	Total HK$'000
Cost						
At 1 July 2017	8,300	44,371	374	146,267	–	199,312
Disposal of subsidiaries	–	(44,371)	–	–	–	(44,371)
At 30 June 2018 and 1 July 2018	8,300	–	374	146,267	–	154,941
Additions	–	–	–	39,420	–	39,420
Acquisition of subsidiaries (note 38(a)(i))	–	–	–	–	10,300	10,300
Disposal of subsidiaries (note 38(b))	–	–	–	–	(10,300)	(10,300)
At 30 June 2019	**8,300**	**–**	**374**	**185,687**	**–**	**194,361**
Accumulated amortisation and impairment						
At 1 July 2017	–	1,032	–	41,941	–	42,973
Amortisation for the year (note 12)	–	5,159	–	28,693	–	33,852
Disposal of subsidiaries	–	(6,191)	–	–	–	(6,191)
At 30 June 2018 and 1 July 2018	–	–	–	70,634	–	70,634
Amortisation for the year (note 12)	–	–	–	28,693	376	29,069
Disposal of subsidiaries (note 38(b))	–	–	–	–	(376)	(376)
Impairment for the year (note 12)	8,300	–	–	20,475	–	28,775
At 30 June 2019	**8,300**	**–**	**–**	**119,802**	**–**	**128,102**
Carrying amount						
At 30 June 2019	**–**	**–**	**374**	**65,885**	**–**	**66,259**
At 30 June 2018	8,300	–	374	75,633	–	84,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Before impairment, the Stock Exchange trading right of approximately HK$8,300,000 (2018: HK$8,300,000) at 30 June 2019 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. During the year ended 30 June 2019, due to the downturn in global financial markets, the Group assessed its cash flows forecast for its Securities Dealing CGU, and recognised an impairment loss of approximately HK$8,300,000 (2018: HK$Nil) on the Stock Exchange trading right. The Group's money lender license of approximately HK$374,000 (2018: HK$374,000) at 30 June 2019 is assessed as having indefinite useful life as the future renewal cost to maintain the license is insignificant.

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

In 2017, 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 merchandising goods in connection with the live show in the territories of Hong Kong, Macau and Taiwan. In 2018, the Group disposed the licensed right and the amortisation for the year prior to the disposal approximates to HK$5,159,000 was 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 2019 approximates to HK$65,885,000 (2018: HK$75,633,000). The average remaining amortisation period for these distribution rights is 3.1 years (2018: 3.0 years). The amortisation for the year is included in cost of sales of approximately HK$24,793,000 (2018: HK$24,793,000) and selling and distribution expenses of approximately HK$3,900,000 (2018: HK$3,900,000). During the year ended 30 June 2019, due to the decline in revenue and loss incurred for the Group's Agri-Products Business segment, the Group assessed its cash flows forecast for this segment, and recognised an impairment loss of approximately HK$20,475,000 (2018: HK$Nil) on distribution rights.

During the year ended 30 June 2019, the Group acquired a trademark for sub-licensing to oil petrol stations in the PRC through the acquisition of subsidiaries as detailed in note 38(a)(i) to the consolidated financial statements. Subsequently, the Group disposed the trademark through the disposal of subsidiaries as detailed in note 38(b) to the consolidated financial statements, and the amortisation for the year prior to the disposal approximates to HK$376,000 was included in administrative expenses.

22. OTHER ASSETS

	2019	2018
	HK$'000	HK$'000
Deposit for acquisition of land use right	**–**	13,580
Prepaid operating leases for logistics license and resources	**2,985**	28,643
Prepaid operating leases for pack houses facilities	**–**	13,413
Other deposits	**230**	275
Other receivables	**–**	25
	3,215	55,936

During the year ended 30 June 2019, due to the decline in revenue and loss incurred for the Group's Agri-Products Business segment, the Group assess its cash flows forecast for this segment, and recognised impairment losses of approximately HK$4,804,000 and HK$2,990,000 on prepaid operating leases for logistics license and resources and prepaid operating leases for pack houses facilities respectively (2018: HK$Nil and HK$Nil respectively).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

23. INVESTMENT IN A JOINT VENTURE

	2019 HK$'000	2018 HK$'000
Unlisted investments:		
Share of net liabilities	**(54,299)**	(54,299)
Goodwill	**65,221**	65,221
Loan to the joint venture	**47,200**	47,200
	58,122	58,122
Impairment loss	**(58,122)**	(58,122)
	–	–

Details of the Group's joint venture at 30 June 2019 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 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.

	2019 HK$'000	2018 HK$'000
At 30 June:		
Carrying amount of interests	**–**	–
Year ended 30 June:		
Loss from continuing operations	**–**	(2,713)
Other comprehensive income	**–**	–
Total comprehensive income	**–**	(2,713)

The Group has not recognised loss for the year amounting to approximately HK$1,873,000 (2018: HK$Nil) for Waygood. The accumulated losses not recognised were HK$1,873,000 (2018: HK$Nil).

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For the year ended 30 June 2019

24. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2018: HK$108,000) at 30 June 2019 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

	2019	2018
	HK$'000	HK$'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 FVTPL		
– unlisted debt investments in Hong Kong	**191,486**	–
	191,486	12,688

	2019	2018
	HK$'000	HK$'000
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
	–	13,552
Financial assets at FVTPL		
– listed equity securities in Hong Kong	**7,456**	8,326
	7,456	21,878

The fair values of the listed equity/debt securities are based on quoted closing price at the end of reporting period.

The fair value of the unlisted debt investments was reference to the valuation performed by BMI Appraisals Limited, a firm of independent professional qualified valuers, derived from estimations of the equity component and debt component value by using Binomial Option Pricing Model in which the credit spread derived from comparable bonds with similar maturities and credit rating by build-up method.

The carrying amounts of the above financial assets at FVTPL are measured at fair value through profit or loss in accordance with HKFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

25. INVESTMENTS *(CONTINUED)*

The above investments are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
HK$	**198,942**	8,326
USD	**–**	20,410
RMB	**–**	5,830
	198,942	34,566

At 30 June 2018, the financial assets at FVTPL and available-for-sale financial assets of approximately HK$8,152,000 and HK$26,240,000 have been pledged to a bank to secure the banking facilities granted to the Group (note 39). During the year ended 30 June 2019, the charges were released since the related bank loans have been fully repaid.

None of these debt securities is either past due/impairment at the end of reporting period.

26. BIOLOGICAL ASSETS

	HK$'000
At 1 July 2017	20,419
Increase due to cultivation	33,983
Change in fair value due to biological transformation (note (a))	(10,567)
Transfer of harvested fresh fruit bunches to inventories	(14,896)
Exchange differences	188
At 30 June 2018 and 1 July 2018	29,127
Increase due to cultivation	34,451
Change in fair value due to biological transformation (note (a))	(19,420)
Transfer of harvested fresh fruit bunches to inventories	(16,412)
Exchange differences	(303)
At 30 June 2019	**27,443**

Notes:

(a) During the year, the Group harvested approximately 6,882,000 (2018: 6,165,000) 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 2019 and 2018.

(c) The carrying value of biological assets as at 30 June 2018 and 2019 represented cultivation costs incurred including fertilisers, pesticides, labour, operating lease charges in respect of land and buildings, depreciation of fixed assets and depreciation of bearer plants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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$16,590,000 (2018: HK$16,566,000), HK$2,723,000 (2018: HK$2,723,000), HK$3,157,000 (2018: HK$3,157,000) and HK$2,875,000 (2018: HK$2,859,000) respectively.

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

	Citrus trees (Chinese Mu)
2019	**5,000**
2018	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:

	2019	2018
Quantity		
Citrus (catty '000)	**6,882**	6,165
	HK$'000	HK$'000
Amount		
Citrus	**16,412**	14,896

The Group is exposed to a number of risks related to its citrus tree 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 fruits. 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

	2019 HK$'000	2018 HK$'000
Raw materials	**381**	128
Packing materials	**215**	221
Finished goods	**143,995**	157,230
	144,591	157,579

28. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables arising from		
Trading	**324,298**	345,400
Dealing in securities		
– Cash clients	**10,493**	12,463
	334,791	357,863
Impairment loss on trade receivables	**(17,553)**	(10,373)
	317,238	347,490

Reconciliation of impairment loss on trade receivables:

	2019 HK$'000	2018 HK$'000
At 30 June	**10,373**	418
Impact of adopting HKFRS 9	**4,044**	–
At 1 July as restated	**14,417**	418
Impairment loss recognised for the year (note 12)	**3,151**	10,055
Reversal for the year	**–**	(119)
Exchange difference	**(15)**	19
At 30 June	**17,553**	10,373

For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 180 days (2018: 30 to 150 days).

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For the year ended 30 June 2019

28. TRADE RECEIVABLES *(CONTINUED)*

The aging analysis of trade receivables arising from trading, net of impairment loss, based on the date of recognition of the sale, is as follows:

	2019 HK$'000	2018 HK$'000
1 – 30 days	55,390	87,782
31 – 60 days	43,790	67,601
61 – 90 days	47,475	65,230
Over 90 days	164,366	115,495
	311,021	336,108

Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$3,626,000 (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 30 June 2019, cash client receivables of approximately HK$6,867,000 (2018: HK$8,662,000) were past due. These past due cash client receivables were substantially settled after the year end date, except for HK$3,151,000 (2018: HK$1,081,000) for which impairment loss was recognised during the year. 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 2019, trade receivables arising from trading of approximately HK$2,463,000 (2018: HK$1,212,000) 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:

	2019 HK$'000	2018 HK$'000
Up to 90 days	3	1,212
Over 90 days	2,460	–
	2,463	1,212

As at 30 June 2019, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2018: 9.25% per annum). Other trade receivables are unsecured and interest-free.

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29. PLEDGED BANK DEPOSITS, CLIENT TRUST BANK BALANCES AND BANK AND CASH BALANCES

The Group's pledged bank deposits at 30 June 2018 represented deposits pledged to a bank to secure banking facilities granted to the Group (note 39). During the year ended 30 June 2019, the pledged bank deposits were released since the related trade finance facilities have been fully repaid.

At 30 June 2019, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$244,753,000 (2018: HK$339,133,000). 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.

At 30 June 2019, the bank and cash balances of the Group included time deposits with original maturity over three months of approximately HK$13,577,000 (2018: HK$106,438,000), which are not included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

30. TRADE PAYABLES

	2019 **HK$'000**	2018 HK$'000
Trade payables arising from		
Trading	**76,805**	85,404
Dealing in securities		
– Cash clients	**6,857**	3,846
– Clearing house	**193**	1,703
	83,855	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 payables 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.

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30. TRADE PAYABLES *(CONTINUED)*

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

	2019 **HK$'000**	2018 HK$'000
1 – 30 days	**60,362**	64,944
31 – 60 days	**16,356**	20,373
61 – 90 days	**–**	2
Over 90 days	**87**	85
	76,805	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$6,306,000 (2018: HK$3,932,000).

31. BORROWINGS

	2019 **HK$'000**	2018 HK$'000
Bank loans, secured (note 39)	**20,169**	16,012

The borrowings are repayable on demand or within one year.

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2019 **HK$'000**	2018 HK$'000
HK$	**15,000**	16,012
Euro	**5,169**	–
	20,169	16,012

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

	2019	2018
Bank loans	**2.75% to 4.17% p.a.**	3.37% to 3.69% p.a.

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

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32. FINANCE LEASE PAYABLES

	Minimum lease payments		Present value of minimum lease payments	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**–**	17	**–**	16
Less: Future finance charges	**–**	(1)	**–**	–
Present value of lease payables	**–**	16	**–**	16
Less: Amount due for settlement within 12 months (shown under current liabilities)			**–**	(16)
Amount due for settlement after 12 months			**–**	–

It is the Group's policy to lease certain of its office equipment under finance leases. The lease term is 5 years. For the year ended 30 June 2019, the effective borrowing rate was 6% (2018: 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 HK$.

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 2017	6,709	8,439	15,148
Charge to profit or loss for the year (note 11)	346	(852)	(506)
Charge to other comprehensive income for the year	628	–	628
Disposal of subsidiaries	–	(6,300)	(6,300)
Exchange differences	240	–	240
At 30 June 2018 and 1 July 2018	7,923	1,287	9,210
Acquisition of subsidiaries (note 38(a)(i))	–	2,575	2,575
Charge to profit or loss for the year (note 11)	317	(94)	223
Charge to other comprehensive income for the year	652	–	652
Disposal of subsidiaries (note 38(b))	–	(2,481)	(2,481)
Exchange differences	(371)	–	(371)
At 30 June 2019	**8,521**	**1,287**	**9,808**

Deferred tax asset

	Tax losses HK$'000
At 1 July 2017	1,268
Credit to profit or loss for the year (note 11)	501
At 30 June 2018 and 1 July 2018	1,769
Credit to profit or loss for the year (note 11)	1,711
At 30 June 2019	**3,480**

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33. DEFERRED TAX *(CONTINUED)*

Deferred tax asset *(Continued)*

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

	2019 HK$'000	2018 HK$'000
Prepaid land lease payments	**5,085**	4,987
Decelerated tax depreciation	**4,617**	5,034
Unused tax losses	**90,185**	95,419
	99,887	105,440

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$41,706,000 (2018: HK$42,194,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

34. SHARE CAPITAL

	Number of shares	Amount HK$'000
Authorised:		
At 1 July 2017, 30 June 2018, 1 July 2018 and 30 June 2019, ordinary shares of HK$0.1 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 July 2017	1,800,696,182	180,070
Issue of shares by way of exercise of share options	72,000,000	7,200
At 30 June 2018, 1 July 2018 and 30 June 2019	**1,872,696,182**	**187,270**

During the year ended 30 June 2018, 72,000,000 new shares had been issued by way of exercise of share options at a subscription price of HK$0.29 per share for a total cash consideration of HK$20,880,000.

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 2018 and 2019.

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 2019, over 25% (2018: over 25%) of the shares were in public hands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 HK$'000	2018 HK$'000
ASSETS		
Non-current assets		
Fixed assets	9	12
Investment in a subsidiary	1,247,780	47,780
	1,247,789	47,792
Current assets		
Prepayment	80	–
Due from a subsidiary	497,282	1,960,945
Bank and cash balances	859	21,175
	498,221	1,982,120
TOTAL ASSETS	1,746,010	2,029,912
EQUITY AND LIABILITIES		
Share capital	187,270	187,270
Reserves	1,542,537	1,830,271
Total equity	1,729,807	2,017,541
Current liabilities		
Accruals and other payables	1,203	1,371
Borrowings	15,000	11,000
	16,203	12,371
TOTAL EQUITY AND LIABILITIES	1,746,010	2,029,912

Approved by the Board of Directors on 30 September 2019 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 2019

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	Accumulated losses HK$'000	Total HK$'000
At 1 July 2017	2,416,774	22,258	(350,580)	2,088,452
Loss for the year	–	–	(271,861)	(271,861)
Share issued under share option scheme	21,326	(7,646)	–	13,680
Transfer of reserve upon lapse of share options	–	(3,000)	3,000	–
At 30 June 2018	2,438,100	11,612	(619,441)	1,830,271
At 1 July 2018	**2,438,100**	**11,612**	**(619,441)**	**1,830,271**
Loss for the year	**–**	**–**	**(287,734)**	**(287,734)**
At 30 June 2019	**2,438,100**	**11,612**	**(907,175)**	**1,542,537**

(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 current and 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 2019

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) FVTOCI (2018: Investment revaluation) reserve

The FVTOCI (2018: investment revaluation) reserve comprises the cumulative net change in the fair value of FVTOCI (2018: 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) 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 NCI.

37. SHARE-BASED PAYMENTS

Equity-settled share option scheme

The Company operates a share option scheme (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 board of directors noted that the SO Scheme adopted on 21 December 2009 (the "Old SO Scheme") would soon come to its expiration and as a result, the board of directors has resolved to terminate the Old SO Scheme and adopt a new SO Scheme on 21 December 2018 (the "New SO Scheme") and, unless otherwise cancelled or amended, the New SO Scheme will remain in force for 10 years from that date. Eligible participants of the New 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 New SO Scheme is equivalent to 10% of the shares of the Company in issue at the date of approval of the New 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

37. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

The offer of a grant of share options may be accepted within 10 business 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.

The following share options were outstanding during the year:

	Number of share options							
Name or category of participants	**At 1 July 2018**	**Reclassified during the year**	**Exercised during the year**	**Lapsed during the year**	**At 30 June 2019**	**Date of grant of share options**	**Exercise period of share options**	**Exercise prices of share options 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. 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)	8,008,000	3,120,000	–	–	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			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

37. SHARE-BASED PAYMENTS *(CONTINUED)*

Equity-settled share option scheme *(Continued)*

Name or category of participants	Number of share options				Date of grant of share options	Exercise period of share options	Exercise prices of share options
	At 1 July 2017	Exercised during the year	Lapsed during the year	At 30 June 2018			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. 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	–	(208,000)	8,008,000	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
	1,444,440#	–	(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
	119,620,440	(72,000,000)	(1,652,440)	45,968,000			

* Ms. Hung Sau Yung Rebecca retired as executive director and remains her other offices within the Group. Therefore, the outstanding share options held by Ms. Hung upon her retirement were reclassified from the category of "Executive directors" to "Employees (in aggregate)".

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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:

	2019		2018	
	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	**45,968,000**	**0.8790**	119,620,440	0.5803
Granted during the year	**–**	**–**	–	–
Exercised during the year	**–**	**–**	(72,000,000)	0.29
Lapsed during the year	**–**	**–**	(1,652,440)	4.9183
Outstanding at the end of the year	**45,968,000**	**0.8790**	45,968,000	0.8790
Exercisable at the end of the year	**45,968,000**		45,968,000	

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 2019, the Company had 45,968,000 (2018: 45,968,000) share options outstanding under the SO Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 45,968,000 (2018: 45,968,000) additional ordinary shares, representing approximately 2.5% of the issued shares at 30 September 2019, the date of the annual report, and additional share capital of approximately HK$4,597,000 (2018: HK$4,597,000) and share premium of approximately HK$35,809,000 (2018: HK$35,809,000) (before share issue expenses).

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Acquisition of subsidiaries

During the year ended 30 June 2019, the Group entered into two separate transactions for acquisition of subsidiaries. Details of cash flow changes are as follows:

	Note	**HK$'000**
Net cash inflow arising on acquisition of Richic Mind Limited	(i)	**28**
Net cash outflow arising on acquisition of Lucky Billion	(ii)	**(18,645)**
Net cash outflow arising on acquisitions		**(18,617)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

(a) Acquisition of subsidiaries *(Continued)*

(i) Acquisition of Richic Mind Limited

On 12 December 2018, the Group subscribed 7,000 newly allotted shares of Richic Mind Limited at a consideration of HK$7,000,000. Subsequent to the subscription, the Group hold 70% of the issued share capital of Richic Mind Limited and its subsidiaries ("Richic Mind Group"). Richic Mind Group was engaged in the sub-licensing of the "Gulf" trademarks to oil petrol stations in the PRC in return for royalty payments. The acquisition is for the purpose of broadening the Group's income stream and providing an opportunity for the Group to tap into the petrol business in the PRC.

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

	HK$'000
Net assets acquired:	
Other intangible assets (note 21)	10,300
Trade receivables	68
Prepayments, deposits and other receivables	5,369
Bank and cash balances	7,028
Deferred tax liabilities (note 33)	(2,575)
Accruals and other payables	(15,802)
	4,388
NCI	(1,316)
Goodwill (note 20)	3,928
	7,000
Satisfied by:	
Cash	7,000
Net cash inflow arising on acquisition:	
Cash consideration paid	(7,000)
Cash and cash equivalents acquired	7,028
	28

The fair value of the trade and other receivables acquired is approximately HK$5,437,000. The gross amount due under the contracts is HK$5,437,000, of which none of them is expected to be uncollectible.

Acquisition-related costs of approximately HK$493,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

(a) Acquisition of subsidiaries *(Continued)*

(i) Acquisition of Richic Mind Limited (Continued)

Richic Mind Group contributed approximately HK$244,000 and HK$2,941,000 to the Group's revenue and loss for the year respectively for the period between the date of acquisition and the date of disposal as detailed in note 38(b) to the consolidated financial statements. No separate sets of financial information for Richic Mind Group was prepared for the period from 1 July 2018 to the date of the acquisition. As a result, it is impracticable for the Group to disclose the amount of revenue and loss for the year of Richic Mind Group as if the acquisition date for the acquisition that occurred during the year had been as of 1 July 2018.

The goodwill arising on the acquisition of Richic Mind Group is attributable to the diversification of the Group's income stream and developing of the Group's revenue and earning sources in the petrol business in the PRC.

(ii) Acquisition of Lucky Billion

On 2 May 2019, the Group acquired 100% of the issued share capital of Lucky Billion at a consideration of HK$20,000,000. Lucky Billion was engaged in tourist retailing of jewellery products in Hong Kong. The acquisition is for the purpose of diversification of the Group's income stream and developing of the Group's revenue and earning sources in the tourist retailing business in Hong Kong.

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

	HK$'000
Net assets acquired:	
Inventories	2,668
Prepayments, deposits and other receivables	836
Bank and cash balances	1,355
Accruals and other payables	(3,862)
Current tax liabilities	(80)
	917
Goodwill (note 20)	19,083
	20,000
Satisfied by:	
Cash	20,000
Net cash outflow arising on acquisition:	
Cash consideration paid	20,000
Cash and cash equivalents acquired	(1,355)
	18,645

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

(a) Acquisition of subsidiaries *(Continued)*

(ii) Acquisition of Lucky Billion (Continued)

Pursuant to the agreement, the seller guaranteed to the Group that the audited net profit after tax for the year ended 31 March 2019 and 2020 ("Annual Guaranteed Profit") shall each be no less than HK$1,000,000 and HK$2,000,000 respectively, otherwise the seller shall pay ten times the shortfall amount to the Group on a dollar to dollar basis. Lucky Billion has already met the Annual Guaranteed Profit for the year ended 31 March 2019. The Group has included HK$Nil as contingent consideration receivable related to the profit guarantee as a current asset, which represents its fair value at the date of acquisition. As at 30 June 2019, the outstanding contingent consideration receivable amounted to HK$Nil.

The fair value of the trade and other receivables acquired is approximately HK$836,000. The gross amount due under the contracts is HK$836,000, of which none of them is expected to be uncollectible.

Acquisition-related costs of approximately HK$111,000 have been charged to administrative expenses in the consolidated statement of profit or loss for the year ended 30 June 2019.

Lucky Billion contributed approximately HK$2,913,000 and HK$77,000 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 2018, total Group revenue for the year would have been approximately HK$857,250,000, and loss for the year would have been approximately HK$285,386,000. 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 2018, nor is intended to be a projection of future results.

The goodwill arising on the acquisition of Lucky Billion is attributable to the diversification of the Group's income stream and developing of the Group's revenue and earning sources in the tourist retailing business in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

(b) Disposal of Richic Mind Group

On 20 June 2019, the Group disposed 70% of the issued share capital of Richic Mind Group at a consideration of HK$5,000,000.

Net assets of Richic Mind Group at the date of disposal were as follows:

	HK$'000
Goodwill (note 20)	3,928
Other intangible assets (note 21)	9,924
Prepayments, deposits and other receivables	6,122
Bank and cash balances	75
Deferred tax liabilities (note 33)	(2,481)
Accruals and other payables	(12,264)
Net assets disposed of	5,304
Release of foreign currency translation reserve	50
NCI	(413)
Gain on disposal of subsidiaries	59
Total consideration	5,000
Satisfied by:	
Consideration receivable	5,000
Net cash outflow arising on disposal:	
Cash and cash equivalents disposed of	(75)

The sales proceeds of HK$5,000,000 had not been received at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 July 2018 HK$'000	Cash flows HK$'000	Interest expenses/ finance lease charges HK$'000	30 June 2019 HK$'000
Borrowings (note 31)	**16,012**	**4,087**	**70**	**20,169**
Finance leases (note 32)	**16**	**(17)**	**1**	**–**
	16,028	**4,070**	**71**	**20,169**

	1 July 2017 HK$'000	Cash flows HK$'000	Interest expenses/ finance lease charges HK$'000	30 June 2018 HK$'000
Borrowings (note 31)	33,326	(17,367)	53	16,012
Finance leases (note 32)	33	(18)	1	16
	33,359	(17,385)	54	16,028

39. BANKING FACILITIES

At 30 June 2019, the Group's banking facilities in respect of term loans and other trade finance facilities were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company. At 30 June 2018, the Group's banking facilities in respect of term loans and other trade finance facilities were secured by corporate guarantees executed by the Company and certain subsidiaries of the Company, pledged bank deposits (note 29) and a charge over the Group's financial assets at FVTPL and available-for-sale financial assets (note 25).

40. CONTINGENT LIABILITIES

At 30 June 2019, the Group did not have any significant contingent liabilities (2018: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

41. CAPITAL COMMITMENTS

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

	2019 HK$'000	2018 HK$'000
Contracted but not provided for		
– Fixed assets	**6,818**	7,143
– Construction in progress	**17,574**	39,124
– Seedling plantation	**1,705**	1,786
	26,097	48,053

42. OPERATING LEASE COMMITMENTS

The Group as lessee

At 30 June 2019, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**3,283**	3,827
In the second to fifth years, inclusive	**16,068**	18,353
After five years	**5,455**	–
	24,806	22,180

Leases are negotiated for terms ranged from 2 to 2.5 years, 5 to 6 years and 10 to 20 years for office premises, storage premise in the PRC and Thailand, and farmland in the PRC respectively and rental are fixed over the lease terms and do not include contingent rentals.

The Group as lessor

Rental income earned from factory, plant and machinery during the year was approximately HK$836,000 (2018: HK$769,000). All of the factory, plant and machinery held have committed tenants for the next 1 year.

At 30 June 2019, the Group's total future minimum lease payments under non-cancellable operating leases are receivable as follow:

	2019 HK$'000	2018 HK$'000
Within one year	**74**	195
In the second to fifth years, inclusive	**–**	11
	74	206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

43. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

The remuneration of directors and other members of key management during the year was as follows:

	2019 **HK$'000**	2018 HK$'000
Short-term benefits	**13,079**	12,656
Post-employment benefits	**124**	123
	13,203	12,779

44. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2019 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 ("BVI")	Ordinary USD1	100%	Distribution of cold chain products
Assure Top Limited	Hong Kong	Ordinary HK$10,000	100%	Trading of packaged food
Best Title Global Limited	BVI	Ordinary USD100	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	Hong Kong	Ordinary HK$10,000	100%	Trading of fresh produce products
Golden Sector Limited	Hong Kong	Ordinary HK$10,000	100%	Distribution of packaged food, beverages, household consumable products and nourishing products
Heng Tai Finance Limited	Hong Kong	Ordinary HK$10,000	100%	Provision of treasury services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

44. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Particulars of the principal subsidiaries as at 30 June 2019 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
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages, household consumable products and cold chain products
Lucky Billion	Hong Kong	Ordinary HK$2	100%	Tourist retailing of jewellery products
Master Oriental Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding
Modern Tech Limited	Hong Kong	Ordinary HK$10,000	81%	Investment holding
New Sino International Ltd.	BVI	Ordinary USD10,000	100%	Operator of overseas packing houses and PRC distribution depots
Nexus Logistics Development Limited	BVI	Ordinary USD100	100%	Provision of logistics and transportation services
Nexus Logistics (International) Limited	Hong Kong	Ordinary HK$4,000,000	100%	Provision of logistics and transportation services
Simming Light Investment Ltd.	BVI	Ordinary USD10,000	100%	Investment holding in agri-business
Sinobright Global Limited	BVI	Ordinary USD10,000	100%	Investment holding
Sino Wealth Finance Holdings Limited	BVI	Ordinary USD2,000	100%	Investment holding
Sino Wealth Securities Limited	Hong Kong	Ordinary HK$40,000,000	100%	Provision of securities brokerage services
Sui Tai & Associates Limited	Hong Kong	Ordinary HK$10,000	100%	Provision of administrative services

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

44. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Particulars of the principal subsidiaries as at 30 June 2019 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
上海士豐實業有限公司*	PRC	USD10,100,000	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 2019.

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 2019, the bank and cash of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$244,753,000 (2018: HK$339,133,000). 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.

45. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of impairment losses on trade receivables and deposits and other receivables previously classified under "other operating expenses" to "impairment losses on trade receivables and deposits and other receivables". The new classification of the accounting items was considered to provide a more appropriate presentation of the results of the Group.

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				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Loss attributable to:					
Owners of the Company	**(285,081)**	(153,475)	(405,546)	(248,731)	(73,241)
Non-controlling interests	**(895)**	(3,107)	(11,317)	(1,729)	(42)
Loss for the year	**(285,976)**	(156,582)	(416,863)	(250,460)	(73,283)

ASSETS, LIABILITIES AND EQUITY

	At 30 June				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000
Total assets	**1,981,836**	2,286,718	2,621,586	2,736,271	3,092,152
Total liabilities	**(145,721)**	(139,163)	(365,820)	(204,202)	(214,030)
Total non-controlling interests	**15,877**	15,865	12,757	1,434	(574)
Total equity attributable to owners of the Company	**1,851,992**	2,163,420	2,268,523	2,533,503	2,877,548

Note: The results of the Group for the four years ended 30 June 2015, 2016, 2017 and 2018 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 2019 and the assets, liabilities and equity of the Group as at 30 June 2019 are those set out in page 42 and pages 44 to 45 of the consolidated financial statements respectively.