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
2020/21

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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
RSM Hong Kong
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

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PRINCIPAL BANKERS
Bank of China Limited
China CITIC Bank International Limited
Hang Seng Bank Limited
LUSO International Banking Ltd.

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Suntera (Cayman) Limited
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
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COMPANY WEBSITE
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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Heng Tai Consumables Group Limited (the "Company" or "Heng Tai"), it is my great privilege to present to our shareholders the Annual Report for the Company and its subsidiaries (together the "Group") for the financial year ended 30 June 2021 ("FY2020/21").

FINANCIAL PERFORMANCE

The coronavirus COVID-19 (the "pandemic") continued to bring a drastic damage to the global economy during FY2020/21, bringing economic activity to a near-standstill in some countries and causing widespread supply chain disruptions across the world. Although China's economy has been gradually recovering and the vaccination program increased consumer confidence during the second half of the financial year, the operating environment for the Group's traditional trading businesses remained challenging. The freight rates for some routes were up to certain extent during the financial year, which in turn increasing the purchase costs for imported products. On the other hand, the competition has been getting fiercer over recent years because domestic brands spent huge advertising and promotion costs to increase their market share, their product variety and quality have also been improving. On the contrary, the Group adopted more aggressive pricing strategies including special promotions and discounts to our customers to maintain our competitiveness, which put further downward pressures on the gross profit margins across different segments. Furthermore, the Group has been reviewing the Logistics Services Business thoroughly in the light of various containment policies such as lockdown and quarantine measures undertaken in China during the pandemic. The provision of associated logistics services to the Group's customers became particularly difficult and not financially viable considering the enduring impact of the pandemic and its relevant high maintenance costs. Therefore, the Group reduced scale of its own but outsourced part of delivery and logistics services for customers during the financial year, which could reduce certain amount of selling and distribution expenses but the revenue of this business segment inevitably decreased correspondingly.

In order to reduce the concentration risk of the traditional trading businesses, the Group invested HK$60 million in the securities brokerage business to expand its margin financing business in view of the stock market recovery, which resulted in a growth in its revenue due to the new income stream from margin client accounts during the financial year. On the other hand, the tourist retailing business has been hit hardest due to the plummeting number of Chinese visitors, hence its revenue significantly dropped during the financial year. As the removal of the border restrictions between China and Hong Kong still remained highly uncertain, the Group has been carefully reviewing this business unit and implementing various austerity measures to reduce its operating expenses.

Revenues fell approximately 4.0% to approximately HK$520.3 million in FY2020/21. The net loss for FY2020/21 was approximately HK$247.2 million, compared to the net loss of approximately HK$318.4 million for the preceding financial year ("FY2019/20"). The decrease in the net loss was mainly attributable to a combination of the decrease in selling and distribution expenses, administrative expenses, impairment losses on trade receivables and deposits and other receivables and other operating expenses, and partly offset by the decrease in turnover, gross profit margin and other gains and income, and the increase in loss of changes in fair value due to biological transformation.

BUSINESS REVIEW

During the financial year under review, the global community has been fighting against the pandemic by rolling out vaccination and implementing different containment measures, some economic activities were resumed but far away from the normal level. The FMCG Trading Business and the agri-product trading business faced tough challenges with adverse impacts coming in all possible ways and channels including but not limited to trading logistics being disrupted, increased costs, time delays, loss of businesses due to suppliers and/or customers closing down, high competition and weak market demand. The Group continued to provide attractive offers to our loyal customers for different kinds of products in such a competitive and uncertain environment despite the increased import costs, by which the gross profit margins of the traditional trading businesses were unavoidably affected. The pandemic and the resultant containment measures also hindered the Group from sourcing new products worldwide. Alternatively, the Group continued to expand the domestic procurement network to mitigate the impact, which could provide a more stable supply of products to meet customers' needs. Packaged foods remained as the most important category, its contribution over the FMCG Trading Business was at approximately 70%, followed by beverage products.

CHAIRMAN'S STATEMENT

During the financial year, the upstream farming business recorded a sales growth in spite of the pandemic, primarily attributable to the gradual expansion of operations, better agricultural skills and distribution channels. Similar to the traditional trading businesses, the upstream farming business was also affected by the pandemic although the impact was lower than that on the traditional trading business. The unpredictable inclement weather also added many difficulties in the operations. However, the Group is cautiously optimistic on its development following cumulative years of experience for operations. In order to facilitate the upstream farming business, broaden revenue stream and build branding for the Group's self grown products, the Group has been proactively developing a project including the construction of a fruit processing centre and the development of agri-tourism business nearby. The fruit processing centre will be completed by 31 December 2021 and its operations will be commenced no later than the first half of 2022 after obtaining relevant permits from the authorities. The centre will be equipped with cold chain storage and other advanced machineries to enable it providing a full range of services from washing, packaging to warehousing for the Group's and other third parties' agricultural products. The remaining part of the project including agri-tourism facilities such as pick-your-own farm and recreational facilities will be carefully developed subject to the development of the pandemic.

Revenue from logistics business dropped significantly during the financial year, which was not only attributable to the Group's weak traditional trading business, but largely the pandemic caused the Group's shift in deploying more outsourced delivery services when facing various containment measures and high operating costs. The provision of associated logistics services to the Group's customers became particularly difficult and not financially viable considering its relevant high maintenance costs and the enduring impact of the pandemic, on the other hand, the increase in outsourcing logistics services successfully reduced substantial amount of operating expenses during the financial year. Going forward, the Group will continue to review its operations dependent on the market situation and determine its optimal operating level.

The global financial market benefited from the increase in the stock market transactions stimulated by various expansionary policies taken or pandemic relief packages initiated by major nations. Therefore, the Group invested HK$60 million in the securities brokerage business to expand its margin financing business during the financial year. However, the benefit to our Group is very limited and the size of operation of the brokerage business has still been sub-optimal. Further, the Group realized that with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations. Therefore, the Board resolved to change the use of the remaining balance of the proceeds of about HK$127.3 million of the rights issue completed on 11 January 2017 to further enhance the existing and principal businesses of the Group on 10 March 2021. For the tourist retailing business, the number of visitors almost dried up in Hong Kong due to various containment measures, this business unit was hardest hit by the pandemic during the financial year. As the removal of border restrictions is still uncertain, the tourism industry in Hong Kong needs a long period of time for returning to pre-pandemic level. Meanwhile, the Group has been carefully reviewing this business unit and exerting every effort to minimize its operating costs.

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2021. 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 investment portfolio, and any unforeseen expenditure that might come up.

LOOKING AHEAD

There are many uncertainties such as the development of the pandemic, the intensifying tensions among different nations, the global supply chain disruptions and the increasingly keen competition, which cast a significant negative outlook and uncertainty over the Group's business performance.

For the existing traditional trading business, the Group will continue to strengthen its procurement network, product portfolio and smoothen supply chain process when the impact of the pandemic diminishes. Meanwhile, the Group will continue to adopt relatively aggressive pricing strategies for our loyal customers to maintain our competitiveness, but reduce or even stop selling products to customers with weak creditworthiness amid the highly uncertain market conditions. The Group will also expand the food processing and storage functions for agricultural products in southern China due to the limited capacity in its existing premise. Furthermore, the operating environment for the Logistics Services Business has been getting worse in light of its high maintenance costs coupled with the impact from the pandemic, the Group will continue to review its operations together with market conditions to determine its optimal operating level.

CHAIRMAN'S STATEMENT

After several years of operations and step-by-step plan for expansions, the upstream farming business has been more mature in its productivity and distribution network, hence its revenues have also been growing steadily over past few years. To facilitate brand building, the fruit processing centre is being built for the Group to centralise all post-harvest work, including washing, packaging and cold chain warehousing. After the commencement of operations, the processing centre will serve the Group's self-grown products as well as other third parties' agricultural products. The ancillary agri-tourism business will be continuously reviewed subject to the development of the pandemic.

To better diversify the Group's operations and not highly concentrate on the trading businesses which are vulnerable in a highly competitive market, the Group has continuously been exploring suitable investment opportunities to enhance the Group's investment portfolios. The due diligence review and negotiations for investing in a minority interest in a company principally engaged in the provision of cryptocurrency investment are being processed as of the date of this report. In any event, the Group will adopt a conservative stance to evaluate every non-core business. For the securities brokerage and margin financing business and the tourist retailing business, the Group expects that there will be many uncertainties and challenges in the coming years. Therefore, the Group will focus on cost saving initiatives and put any further investment on hold for these business units.

The Group will keep working hard to improve financial performance by continuously implementing austerity measures and improving operational efficiency. 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, margin financing and tourist retailing. With the support of our strong and healthy financial position, the Group will make continuous efforts to reinforce the sustainability of the operations so as to achieve long-term business growth and objectives.

APPRECIATION

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

LAM Kwok Hing
Chairman
Hong Kong, 30 September 2021

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During FY2020/21, the Group are principally engaged in (i) the trading of packaged foods, beverages and household consumable 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 and margin financing 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.

During the financial year, China's economy has been gradually recovered after the COVID-19 pandemic (the "pandemic"), particularly evidenced by its macroeconomic data during the second half of the financial year under review. China's GDP grew over 18% in the first quarter of 2021, followed by 7.9% growth for the second quarter. The retail sales growth was also resilient during the same period, ranging from 12% to over 30%. Following the rebound of China's economy, the Group's businesses also showed signs of recovery during the second half of the financial year, the total turnover increased by approximately 21.8% compared to the same period in the last financial year, substantially offsetting the decrease of approximately 18.7% in the turnover recorded in the first half of the financial year.

Although China's economy demonstrated a solid rebound, the pandemic did not only affect China, but also most of countries in which the Group's suppliers are located. The pandemic caused widespread disruption to global supply chain, many factories shutdown, freight restrictions and more stringent customs clearance process, the impacts were particularly severe for the Group's traditional trading business and its associated logistics business. The Group faced significant difficulties in maintaining stable supply chain for the FMCG Trading Business and the agri-products trading business. The freight costs have escalated by the pandemic during the financial year stemmed from the decrease in shipping and port handling capacity, resulting in higher import costs and lower gross profit margins. Furthermore, the competition from domestic products has been increasingly fiercer, especially considering their overwhelming advertisements and promotions. The Group had implemented aggressive pricing strategies and offered special discounts to our customers to maintain competitiveness, despite the abovementioned rising import costs caused by the disrupted supply chain and inflated freight costs.

During the financial year, the border restrictions remained in place between China and Hong Kong, which nearly kept all the crowds of mainland Chinese tourists away. The plummeting number of tourists severely affect the tourist retailing business, but the removal of the border restrictions is still highly uncertain in the foreseeable future. Therefore, the Group implemented various austerity measures to minimizes operating expenses during the toughest time. On the other hand, the global financial markets were stimulated by various expansionary policies or pandemic relief packages initiated by major nations, and hence the stock market activities increased correspondingly. The Group also grasped the opportunities and accepted new margin clients and injected additional funding to the securities brokerage and margin financing business during the financial year under review. However, with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations.

In view of the difficulty of ascertaining the effects the pandemic will cause to the global community as a whole, the Group adopted more prudent forecasts for various businesses, which led to substantial impairment losses on the assets, prepayments and receivables across the Group's business segments. Additionally in May 2021, the Group converted the entire convertible bonds issued by Global Mastermind Holdings Limited ("Global Mastermind") into its ordinary shares, representing approximately 16.54% of the issued share capital of Global Mastermind as at 30 June 2021. The Group has been cautiously optimistic to the slow and steady recovery of Global Mastermind's business, which was also evidenced by their latest financial results. However, the share price has dropped substantially since then which the Board was not aware of the reasons of such drop and based on the closing share price of Global Mastermind of HK$0.141 as at 30 June 2021, the Group has booked a fair value loss of about HK$48.1 million.

Although the widespread vaccination programs are being implemented across the globe, the Group sees the development of the pandemic is still the biggest threat to the global economy. Furthermore, the intensifying and persistent political tensions, the rise on protectionism and the increasing competition from domestic brands also continuously cast a gloom over the operating environment. Therefore, the Group will take a more cautious stance for future development but would still continuously explore investment opportunities to enrich our investment portfolios and reduce operational risk of the principal businesses by better diversification. On the other hand, the Group will continue to implement cost-saving initiatives, as well as ensure a strong and healthy financial position to weather any unforeseeable headwinds.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$520.3 million as compared to HK$541.9 million for FY2019/20, representing a fall of approximately 4.0%. The decline in revenues was mainly attributable to the decrease in the revenues from the FMCG Trading Business, the agri-products trading business, the Logistics Services Business and the tourist retailing business, and partly offset by the increase in the revenues from the upstream farming business and the securities brokerage and margin financing business. The pandemic unavoidably caused severe impact on the Group's traditional trading business and its associated logistics business. The entire supply chain was disrupted from factory shutdown to freight restrictions, which severely affected the Group in maintaining stable product supply to fulfil the market demand, especially when facing keen competition from other domestic brands. The Group had to adopt more attractive and aggressive offers to our customers for different kinds of products in order to increase its competitiveness. On the contrary, the upstream farming business continuously recorded steady growth over past few years thanks to the improving agricultural knowledge and distribution network accumulated by years of operations, and the lesser negative impact from the pandemic for its supply chain. The increase in the revenue of the securities brokerage and margin financing business was primarily attributable to the new income stream from margin financing business as the Group increased investment in it in view of the stock market recovery during the first half of the financial year as mentioned above, whereas the tourist retailing business was hit hardest by the pandemic as the number of Mainland Chinese visitors decreased significantly. The revenue of the second half of the financial year increased by approximately 21.8% thanks to the gradual recovery of Chinese economy as well as the Group's effort in retaining its competitiveness, which substantially offset the drop of revenues of approximately 18.7% for the first half of the financial year.

Gross profit margin decreased from approximately 5.9% to 3.4% compared to FY2019/20. The decrease was mainly attributable to the Group's more aggressive pricing strategies including special promotions and discounts to our loyal customers to increase stock turnover and maintain competitiveness against domestic brands amid the pandemic. The reduction in selling prices was across different kinds of products, in particular the Group's traditional trading business. Additionally, the freight costs have been soaring due to supply chain bottlenecks that have weighed on global trade and pent-up demand as the world economy attempted to shake off the damage of the pandemic. The freight rates for some routes were up to certain extent during the financial year, which in turn increasing the purchase costs for imported products. Notwithstanding the above, the Group could not transfer the increased costs to customers easily amid the keen competition from domestic brands. As a result, the gross profit margin dropped across different business segments.

Changes in fair value due to biological transformation increased from approximately HK$32.7 million to approximately HK$38.7 million. The increase was mainly attributable to the increased plantation costs and overheads from larger scale of operations.

Other gains and income decreased from approximately HK$33.8 million to approximately HK$20.5 million compared to FY2019/20. The gains and income mainly represented interest income from investments including two convertible bonds and a bond of approximately HK$11.3 million, interest income from bank deposits of approximately HK$2.2 million and an exchange gain of approximately HK$5.2 million.

Selling and distribution expenses decreased by approximately 34.4% from approximately HK$55.5 million to approximately HK$36.4 million compared to FY2019/20, representing approximately 7.0% of total revenue (FY2019/20: 10.2%). The decrease in the selling and distribution expenses as a percentage of turnover was mainly attributable to the Group's more stringent cost saving initiatives for the traditional trading businesses and using more outsourced logistics instead of our own transportation team to reduce operating costs and reduction in sales force headcounts. 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 sales force, handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 15.3% from approximately HK$77.5 million to approximately HK$65.6 million compared to FY2019/20. The decrease was mainly attributable to the various cost saving initiatives taken by the Group.

Impairment losses on trade receivables and deposits and other receivables were approximately HK$35.3 million (FY2019/20: HK$58.6 million) as the Group has continued to take a cautious approach on the receivables that exposed to a higher risk of collectability given these tumbling and uncertain economic conditions.

MANAGEMENT DISCUSSION AND ANALYSIS

Other operating expenses decreased from approximately HK$160.2 million to approximately HK$111.8 million. The expenses mainly represented impairment losses of approximately HK$65.5 million on the fixed assets, right-of-use assets, goodwill, other intangible assets and prepayments, a net loss on fair value change on the investments in Global Mastermind and China Healthwise Holdings Limited of approximately HK$42.2 million as well as a net loss on redemption of the convertible bonds of approximately HK$4.1 million. For the financial year under review, as the Group recorded segment losses for the Group's business segments, and given the persistent gloomy economic outlook and challenging environment, the Board had continued to adopt a cautious approach on the profit forecasts on these segment businesses, which resulted in recoverable amounts of the business segments less than the carrying amounts and hence substantial impairments were recognised.

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

Net loss for the year ended 30 June 2021 was approximately HK$247.2 million (FY2019/20: HK$318.4 million). The decrease in the net loss was mainly attributable to a combination of approximately 34.4% decrease in selling and distribution expenses, approximately 15.3% decrease in administrative expenses, approximately HK$71.8 million decrease in impairment losses on trade receivables and deposits and other receivables and other operating expenses, and partly offset by approximately 4.0% decrease in turnover, approximately 2.5% decrease in gross profit margin, approximately HK$6.0 million increase in loss of changes in fair value due to biological transformation and approximately HK$13.2 million decrease in other gains and income.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells finished FMCG 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$313.0 million in revenues to the Group for FY2020/21, decreased by approximately 2.9% from that contributed in FY2019/20. The decrease in revenues was primarily attributable to the impact from the pandemic and the fierce competition against domestic brands. The revenue of the FMCG Trading Business continuously dropped due to the negative impact from the pandemic, many countries where the Group's suppliers are located were severely affected, which put the Group at a disadvantage in maintaining stable product supply and variety to meet customers' needs. The Group had to adopt more attractive and aggressive offers to our customers for different kinds of products to mitigate the negative impact from the pandemic. Furthermore, the soaring freight costs and supply chain bottlenecks further weakened the Group's imported products to compete with domestic brands. During the financial year, the supply chains were seriously challenged by port congestion caused by pandemic-induced port closure and labour shortage due to quarantine measures by different countries. The Group faced not only the increase in shipping rates, but also the difficulty in restocking inventories timely.

As a result of the above unfavourable conditions, the gross profit margins of the FMCG Trading Business further deteriorated stemmed from the decrease in selling prices and the increase in import costs during the financial year. In order to counteract the severe operating environment, the Group had to implement various austerity measures, in particular those reducing selling and distribution expenses such as decreasing number of sales force headcounts, exhibitions and marketing events. The Group successfully reduced considerable amount of selling and distribution expenses by cost saving measures. Nevertheless, the Group will continue to implement relatively aggressive pricing strategies for a longer period of time in view of the difficulty in ascertaining how long the pandemic will last and the level of its impact on the global economy, and simultaneously the Group will continue to adopt a sustainable business model to develop the FMCG Trading Business by strengthening the long term relationship and collaboration with the suppliers and customers, as well as implementing various cost saving initiatives to reduce operating expenses.

This business unit can be classified into three categories including packaged foods, beverages and household consumable products with their respective contribution of approximately 70%, 24% and 6%. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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$200.8 million for the FY2020/21, down approximately 0.8% as compared to the HK$202.5 million generated in FY2019/20. Similar to the FMCG Trading Business, the revenue of this business segment was also affected by the pandemic, the keen competition and the disrupted supply chains. The competition for imported fresh produce market remained fierce due to rising import costs and persistent anti-extravagance atmosphere. On the contrary, the upstream farming business recorded steady revenue growth during the financial year thanks to its gradual expansion, better distribution channels and agricultural skills.

Agri-Products Trading Business

The competition for the Chinese fruit market was very intense as the gap in product quality and product variety between domestic fruits and imported fruits have been shrinking over past few years, which led to the continuous improvement in the popularity of domestically produced fruits. This was further exacerbated by the intensifying global protectionism and more complicated customs formalities, not to mention how large the impact from the pandemic on the stability of product supply, freight transport and warehouse storage operations for imported fruits, especially considering the short life cycle and perishable nature of agricultural products. Similar to the FMCG Trading Business, the Group reduced selling prices for most of agri-products in order to maintain market share, in spite of the increasing imported costs as a result of the surging freight costs and stringent customs formalities. Notwithstanding the above, the revenues of the agri-products business have been stabilizing since the second half of the financial year, following the recovery of Chinese economy and the Group's effective promotions and discounts. Meanwhile, the Group has been developing its trading business for domestic fresh produce as a supplementary business, of which the gross profit margin was more stable than its counterparts of the imported fruits in weak market conditions. The percentage of its revenue over the total revenue of the agri-products trading business was approximately 24.2%, which was fairly stable compared to approximately 25.2% of last financial year. The Group will continue to develop its domestic fresh produce business by leveraging on the improving sourcing network and the well-established distribution channels.

Furthermore, the Group has been evaluating an expansion of the operations of food processing and warehouse storage for agri-products in southern China, which is currently operated in a leased premises in Zhongshan, where occasionally reached its capacity due to its size limitation.

Upstream Farming Business

During the financial year under review, the Group continued to carefully operate in the plantations of early crop oranges and ponkans in the Jiangxi's farming base. The revenue of the upstream farming business increased by approximately by 33.7% from HK$9.8 million to HK$13.1 million compared to last financial year. The increase was primarily attributable to additional arable land deployed and its improving distribution channels and agricultural skills accumulated by years of operations, although the upstream farming business was also affected by the pandemic. Furthermore, the unpredictable inclement weather and the rising labour costs remained one of largest uncertainties, the Group strived to mitigate these negative impacts by virtue of years of operating experience to work more closely with China's authorised institutions in weather forecasting and implement advanced agricultural technology for more efficient operations.

To facilitate the development of this business unit, the Group has been proactively developing a project including the construction of a fruit processing centre and the development of agri-tourism business nearby. The fruit processing centre will be completed by 31 December 2021 and its operations will be commenced no later than the first half of 2022 after obtaining relevant permits from the authorities. The centre will be equipped with cold chain storage and other advanced machineries to enable it providing a full range of services from washing, packaging to warehousing for the Group's and other third parties' agricultural products. The remaining part of the project including agri-tourism facilities such as pick-your-own farm and recreational facilities will be carefully developed subject to the development of the pandemic.

On 23 September 2020, the Group entered into a memorandum of understanding for exploring an opportunity to develop ecological agricultural business. However, since the Group and the negotiating party could not reach an agreement, the memorandum of understanding lapsed on 22 December 2020 and the project would not proceed.

MANAGEMENT DISCUSSION AND ANALYSIS

Logistics Services Business

The Logistics Services Business provides a full range of services to customers including cold-chain facilities, warehousing, food processing production lines for fresh produces, as well as cross-border trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services dropped by approximately 76.5% from approximately HK$9.5 million to HK$2.2 million compared to the last financial year. The Group has been reviewing this business unit thoroughly in the light of various containment policies such as lockdown and quarantine measures undertaken in China during the pandemic. The provision of associated logistics services to the Group's customers became particularly difficult and not financially viable considering the enduring impact of the pandemic and its relevant high operation and maintenance costs. Therefore, the Group reduced scale of its own but outsourced part of delivery and logistics services for customers during the financial year, which could reduce certain amount of operating costs and selling and distribution expenses but the revenue of this business unit inevitably decreased correspondingly.

Other Business

The Other Business contains providing securities trading, margin financing and IPO subscription brokerage services through Sino Wealth Securities Limited ("Sino Wealth") and operating tourist retailing business. The revenue of the securities brokerage and margin financing business, primarily brokerage commission and margin financing interest income, increased by approximately 102.8% compared to the last financial year. The increase in the revenue of the securities brokerage and margin financing business was primarily attributable to the interest income from margin financing to its customers during the year.

The net proceeds of about HK$207.3 million of the rights issue completed on 11 January 2017 was earmarked for the securities brokerage and margin financing business, of which HK$20 million was used after completion of the rights issue, HK$40 million had been used by various capital injections into Sino Wealth from July 2020 to September 2020 and HK$20 million had been used by capital injection in Sino Wealth in November 2020. Hence, a total of HK$80 million has been used as intended.

The Group has grasped the opportunities of financial market recovery and accepted new margin clients and injected additional funding to the securities brokerage and margin financing business during the financial year accordingly. However, the benefit to our Group is very limited and the size of operation of the brokerage business has still been sub-optimal. Further, the Group realized that with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations.

In view of the business and trading environment that the Group's business will face in the future, the Board considers that it would be most reasonable and resolved on 10 March 2021 to change the use of the remaining balance of the proceeds of about HK$127.3 million of the rights issue to further enhance the existing and principal businesses of the Group. Details of the use of the remaining proceeds was set out in the section "Use of Proceeds from Rights Issue" of this report.

The tourist retailing business has been hit hardest during the financial year and there were no any signs of recovery. The drastic plunge in the tourism industry from the mainland Chinese visitors in Hong Kong continuously brought strong blow to the tourist retailing business. As the removal of the border restrictions between China and Hong Kong still remained highly uncertain, it is expected that it would take a long period of time for the tourism industry returning to regular level in Hong Kong. The Group has been carefully reviewing this business unit and implementing various austerity measures to reduce its operating expenses.

On 28 May 2021, the Group entered into a memorandum of understanding for exploring an opportunity to invest with a minority interest in a company principally engaged in the provision of cryptocurrency investment and exchange platform and the provisions of digital asset custody and digital wealth management. On 26 July 2021, the Group entered into a supplemental memorandum of understanding to extend the exclusivity period from the original two months to five months from the date of the memorandum of understanding for allowing additional time for due diligence review.

MANAGEMENT DISCUSSION AND ANALYSIS

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, or even economic shutdown caused by force majeure events such as global pandemic and wars, 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 and margin financing 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.

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 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 may be severely affected by the occurrence of large-scale protests arising from political events, and 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, and 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 revenues of the upstream farming business. Furthermore, the climate conditions of the areas where the suppliers for the Group's agri-products trading business are located could also severely affect the stability of product supply.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and tourists. 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 FY2020/21, there was no material and significant dispute between the Group and its employees, suppliers and customers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2020/21, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

At 30 June 2021, the Group held a convertible bond issued by China Healthwise Holdings Limited ("China Healthwise"), a bond issued by Graphex Group Limited ("Graphex", formerly Earthasia International Holdings Limited) and shares in Global Mastermind.

China Healthwise is a listed company in the main board of the Stock Exchange and together with its subsidiaries are principally engaged in sale of Chinese health products, money lending business and investment in financial instruments. On 28 August 2020, a supplemental agreement was signed to conditionally extend the original maturity date of the then outstanding principal amount of the convertible bond issued by China Healthwise for another two years to 10 October 2022. An extraordinary general meeting was held on 7 October 2020 with shareholders' approval obtained, and the proposed amendments became effective on 10 October 2020.

During the financial year ended 30 June 2021, China Healthwise redeemed in total HK$18 million of the convertible bond. As at 30 June 2021, the outstanding principal amount was HK$81 million and the fair value of the Group's investment in the convertible bond issued by China Healthwise was approximately HK$85.0 million (30 June 2020: HK$97.1 million), representing approximately 6.0% (30 June 2020: 6.0%) of the Group's total assets, and recorded an unrealised fair value gain on investment of approximately HK$5.8 million and an interest income of approximately HK$5.1 million during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Graphex is a listed company in the main board of the Stock Exchange and together with its subsidiaries are principally engaged in the business of processing and sale of graphite and graphene related products, landscape architecture business and catering business. At 30 June 2021, the outstanding principal amount was HK$25.5 million and the fair value of the Group's investment in its bond was approximately HK$25.6 million (30 June 2020: HK$25.9 million), representing approximately 1.8% of the Group's total assets (30 June 2020: 1.6%), and recorded a decrease in investment revaluation reserve of approximately HK$0.3 million and an interest income of approximately HK$1.5 million for the financial year.

Global Mastermind is a listed company in the GEM of the Stock Exchange and together with its subsidiaries are principally engaged in provision and operation of travel business, treasury management business, money lending business, brokerage business, asset management and corporate finance advisory services. On 25 September 2020, a subscription agreement was signed to conditionally subscribe a new convertible bond issued by Global Mastermind in the principal amount of HK$60 million. The subscription price was offset and deducted on a dollar-to-dollar basis from the repayment of all sums due under the previous convertible bond payable by Global Mastermind to the Group due on 12 November 2020. An extraordinary general meeting was held on 10 November 2020 with shareholders' approval obtained, and the subscription took place on 12 November 2020.

In May 2021, the Group converted the entire convertible bond in the principal amount of HK$60 million into its ordinary shares at the adjusted conversion price of HK$0.71 per share, and received 84,507,042 shares of Global Mastermind, representing about 16.54% of the issued share capital of Global Mastermind as enlarged by the issue and allotment of the said shares.

At 30 June 2021, the Group held the said 84,507,042 shares as financial assets at fair value through profit or loss and will remain as a passive investor in Global Mastermind by continuing holding its shares. At 30 June 2021, the fair value of the Group's investment in its shares was approximately HK$11.9 million, representing approximately 0.8% of the Group's total assets, and recorded an unrealised net fair value loss on investment of approximately HK$48.1 million. Prior to the share conversion, there were a loss on redemption of the convertible bond of Global Mastermind of approximately HK$4.1 million and an interest income of approximately HK$4.7 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 and potential capital gain 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.

At 30 June 2021, the Group had interest-bearing borrowings of approximately HK$15.7 million (30 June 2020: HK$20.4 million) of which all borrowings were denominated in Hong Kong dollars and all would mature within one year. All of the Group's bank borrowings at 30 June 2021 were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company, charge over investments of a subsidiary in carrying amount of approximately HK$0.1 million (30 June 2020: HK$Nil) and pledged bank deposits of certain subsidiaries in carrying amount of approximately HK$17.1 million (30 June 2020: HK$0.4 million).

A significant portion of sales, purchases, services income and bank and cash equivalents of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. The Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 30 June 2021, the Group did not have any significant hedging instrument outstanding.

At 30 June 2021, the Group's current assets amounted to approximately HK$779.0 million (30 June 2020: HK$1,004.3 million) and the Group's current liabilities amounted to approximately HK$106.9 million (30 June 2020: HK$110.2 million). The Group's current ratio maintained at a level of approximately 7.3 at 30 June 2021 (30 June 2020: 9.1). At 30 June 2021, the Group had total assets of approximately HK$1,407.5 million (30 June 2020: HK$1,630.8 million) and total liabilities of approximately HK$121.7 million (30 June 2020: HK$125.4 million) with a gearing ratio of approximately 1.1% (30 June 2020: 1.3%). 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 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM RIGHTS ISSUE

On 11 January 2017, the Company raised from a rights issue the net proceeds of approximately HK$207.3 million (the "Rights Issue"), which was originally earmarked for the securities brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business. HK$20 million was used after completion of the rights issue, HK$40 million had been used by various capital injections into Sino Wealth from July 2020 to September 2020 and HK$20 million had been used by capital injection in Sino Wealth in November 2020. Hence, a total of HK$80 million has been used as intended.

Since the completion of the Rights Issue, there have been several major and unprecedented events that have happened and have been happening worldwide that the Board could not have anticipated when making the original plan for the brokerage business, including the Hong Kong political unrest, global trade war, coronavirus pandemic, the consequential volatile securities market and their impact on the Hong Kong community as a whole and the securities and financial market in particular.

Although the Board noted that the securities brokerage business has benefited from the increase in the stock market transactions during the second half of 2020 partially due to the expansionary policies taken or pandemic relief packages initiated by major countries, and that our brokerage business has grasped the opportunities and accepted new margin clients and hence injected additional funding to the brokerage business, the benefit to our Group is very limited and the size of operation of the brokerage business has still been sub-optimal. Further, the Board realized that with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations.

On the other hand, and in view of the extended period that has been passed since the completion of the Rights Issue, and upon review of the Group's business segments and the business and trading environment that the Group's business will face in the future, the Board on 10 March 2021 resolved and announced the change of the use of the remaining balance of the proceeds of approximately HK$127.3 million of the Rights Issue to further enhance the existing and principal businesses of the Group.

Set out below are the details of the use of the net proceeds of approximately HK$207.3 million from the Rights Issue.

Approximate HK$ million		Planned use of proceeds as disclosed in the announcement of the Company dated 10 March 2021	Utilised during the year ended 30 June 2021	Utilised as at 30 June 2021	Remaining Proceeds as at 30 June 2021	Expected timeline for the intended use
(i)	Securities brokerage business for compliance with its financial resources and for future expansion purpose	80.0	60.0	80.0	–	–
(ii)	Upgrade of cold storage and logistics facilities in Shanghai	12.0	9.0	9.0	3.0	by 31 December 2021
(iii)	Renovation and equipping of fruit processing centre in Jiangxi	14.0	–	–	14.0	by 31 December 2021
(iv)	Installation of cold storage and logistics facilities in Jiangxi	17.0	7.4	7.4	9.6	by 31 March 2022
(v)	Set up of new processing agri-product centre in Dongguan	34.0	–	–	34.0	by 31 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Approximate HK$ million		Planned use of proceeds as disclosed in the announcement of the Company dated 10 March 2021	Utilised during the year ended 30 June 2021	Utilised as at 30 June 2021	Remaining Proceeds as at 30 June 2021	Expected timeline for the intended use
(vi)	Research and development expenses in upstream farming	4.0	–	–	4.0	by 31 March 2022
(vii)	Set up of an agricultural research and test-lab centre in Jiangxi	6.0	–	–	6.0	by 31 May 2022
(viii)	Promotion and marketing activities	10.0	0.3	0.3	9.7	by 30 June 2022
(ix)	Set up of an agri-tourism park with various facilities in Jiangxi	27.0	–	–	27.0	by 30 June 2022
(x)	Working capital and general corporate purposes	3.3	–	–	3.3	by 30 June 2022
Total		207.3	76.7	96.7	110.6	

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2021, the Group had approximately 320 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. For the year ended 30 June 2021, no forfeited contributions by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions was used by the Group to reduce the existing level of contributions. The Group has adopted a share option scheme as well as a share award plan of which the Board may, at its discretion, grant options or award shares to eligible participants of the share option scheme and the share award plan respectively. At 30 June 2021, the Company had no share option outstanding (30 June 2020: Nil). No share was purchased for the share award plan and no share award was granted since the adoption of the share award plan to 30 June 2021.

DEVELOPMENT AND PROSPECTS

The pandemic posed an unprecedented challenge to the global economy, despite the fact that China's economy has been recovering, the overall operating environment remained difficult, especially considering the global supply chain disruption and the keen competition from domestic brands.

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 the relationship with suppliers, in particular considering the increasing importance of the cooperation with them to smoothen the supply chain process in such an uncertain time. Furthermore, the increasing popularity of cross-border internet shopping also poses a threat to the Group's current trading business, a strong procurement network is of utmost importance to maintain the Group's competitiveness. The Group will resume its procurement network expansion when the global traffic returns to normal to enhance product portfolio and variety. On the other hand, in view of tight liquidity and uncertain economic outlook, the Group will take a more prudent approach by stopping selling products to customers with weak creditworthiness, but will implement relatively aggressive pricing strategies to our loyal and high quality customers for a longer period of time amid the weak market conditions.

As aforesaid, the Group has been reviewing the operations of the Logistics Services Business. The pandemic continuously affects the trading business volume and the supply chain process, but the fixed operating costs such as maintenance and labour costs remain high and cannot be reduced substantially. Therefore, the Group will continue to monitor the market situation and the financial viability to determine its optimal operating level.

MANAGEMENT DISCUSSION AND ANALYSIS

For the upstream farming business, although the pandemic and the inclement weather still posed a threat to its operations, the sales performance has been growing steadily over past few years thanks to its improving agricultural operations, distribution channels and gradual development. The Group is cautiously optimistic on its development, hence, the Group will continue to carefully invest in this business unit such as the fruit processing centre as mentioned above, which will further facilitate brand building and distribution network expansion.

For the securities brokerage and margin financing business, the Group will decelerate its developments in such uncertain and volatile market conditions after the additional injections conducted during the financial year. For the tourist retailing business, the Group will focus on cost saving initiatives and implement more stringent austerity measures until the removal of the border restrictions.

Furthermore, the Group has continuously been exploring suitable investment opportunities to enhance the Group's investment portfolios. The new business will not only provide a potential growth driver, but also reduce the concentration risk, especially when the outlook for the traditional trading businesses is highly uncertain. As aforesaid, the due diligence review and negotiations for investing in a minority interest in a company principally engaged in the provision of cryptocurrency investment are being processed as of the date of this report. In any event, the Group will evaluate every investment opportunity on a conservative basis.

The financial results were hindered by the deteriorating macro environment. There are many uncertainties ahead including the development of the pandemic, the political tension among different major nations, and the global economic slowdown. The Group will take a more cautious stance for future development and continue to implement cost-saving initiatives, as well as ensure a strong and healthy financial position to weather any unforeseeable 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 65, 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 61, 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 61, 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 44, 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 15 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 63, 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 Kingkey Financial International (Holdings) Limited (former name "UKF (Holdings) Limited"), a company listed on the Main Board of the Stock Exchange since March 2016.

Mr. Poon Yiu Cheung Newman, *Independent Non-executive Director*
Mr. Poon Yiu Cheung Newman, aged 67, 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 held 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 51, 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 is also an independent non-executive director of China Information Technology Development Limited, a company listed on the GEM of the Stock Exchange since April 2015. He was also an independent non-executive director of REXLot Holdings Limited (In Liquidation) from January 2019 to November 2020. The listing of the shares of REXLot Holdings Limited (In Liquidation) on the Stock Exchange was cancelled with effect from 10 May 2021.

SENIOR MANAGEMENT

Mr. Wong Siu Hong, *Chief Financial Officer and Company Secretary*
Mr. Wong Siu Hong, aged 53, 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 44, 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 20 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.

Ms. Hung Sau Yung Rebecca, *General Manager for group administration and accounting*
Ms. Hung Sau Yung Rebecca, aged 55, 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.

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 2021.

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 2021 are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 38 and 39.

The state of affairs of the Group as at 30 June 2021 are set out in the Consolidated Statement of Financial Position on pages 40 and 41.

RESERVES

The movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 42. 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 2021 (2020: 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 2021, reserves of the Company available for distribution to the shareholders of the Company were approximately HK$1,237,912,000 (2020: HK$1,514,913,000). 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 (2020: 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. 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. Chan Cheuk Yu Stephen, Mr. Poon Yiu Cheung Newman and Mr. Hung Hing Man 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

Details of changes in emoluments of the relevant Directors for the financial year ended 30 June 2021 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 2021, 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	436,755,073	23.32%

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. 436,755,073 shares are held by Glazy Target Limited ("Glazy Target"), a company incorporated in the BVI wholly and beneficially owned by Mr. Chan.

Save as disclosed above, as at 30 June 2021, 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 nor at the end of the financial year were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or where there such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SHARE OPTIONS

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

SHARE AWARD PLAN

Particulars of the share award plan of the Company are set out in note 37(b) to the consolidated financial statements.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2021, 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	436,755,073	23.32%

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 2021, 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.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding of the Company's securities.

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. All of the Directors' emoluments are covered by the relevant service contract.

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 and a share award plan as an incentive to Directors and eligible employees, details of the share option scheme and share award plan 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 ("D&O Insurance") to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities. The relevant provisions in the D&O Insurance were in force during the financial year ended 30 June 2021 and as of the date of this report.

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

Throughout the financial year ended 30 June 2021, 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 122.

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 and "Management Discussion and Analysis" on pages 6 to 16 of this 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 24 to 30.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report will be published in a separate electronic form on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.hengtai.com.hk no later than 30 November 2021.

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 2021

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 2021, 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 2021.

BOARD OF DIRECTORS

During the year ended 30 June 2021, the Board comprised of the following:

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

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, and the Company has also adopted a share award plan on 12 June 2020 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 transactions, and other significant operational and financial matters of the Company. The Board has delegated to the management team of day-to-day management, strategies implementation and other administrative and operational matters of the Company and each respective subsidiary.

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 2021, 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 and the Company considers each of the three Independent Non-executive Director to be independent.

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 2021 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	5/5	N/A	1/1	1/1	3/3
Ms. Lee Choi Lin Joecy	5/5	N/A	N/A	N/A	3/3
Ms. Gao Qin Jian	5/5	N/A	N/A	N/A	3/3
Mr. Chan Cheuk Yu Stephen	5/5	N/A	N/A	N/A	3/3
Independent Non-executive Directors					
Ms. Mak Yun Chu	5/5	2/2	1/1	1/1	3/3
Mr. Poon Yiu Cheung Newman	5/5	2/2	1/1	1/1	3/3
Mr. Hung Hing Man	5/5	2/2	N/A	N/A	3/3

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 2021, 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 2020 have been reviewed and approved by the Audit Committee. For the financial year ended 30 June 2021, 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 2021, 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 share option policy and share award plan, 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 2021 is set out below:

Remuneration Bands (HK$)	**Number of individuals**
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 2021, the Nomination Committee held 1 meeting 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 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 recognises 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 2021, 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 2021 is as follows:

Services rendered

	2021	2020
	HK$'000	HK$'000
Audit service	**2,667**	2,624
Non-audit services	**362**	–
	3,029	2,624

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 31 to 37.

INDEPENDENT AUDITOR'S REPORT

RSM
29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

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 38 to 121, which comprise the consolidated statement of financial position as at 30 June 2021, 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 2021, 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 tourist retailing of jewellery products cash-generating unit ("CGU") with net carrying amount of approximately HK$19.1 million before recognition of impairment loss as at 30 June 2021. Goodwill is tested for impairment annually. The recoverable amount of the 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$8.5 million was made to reduce the carrying amount of goodwill to the recoverable amount during the year.	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. The Group has segment assets attributable to the cultivation, sale and trading of agri-products business segment with total carrying amount of approximately HK$543.3 million as at 30 June 2021 before recognition of impairment losses during the year. 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. 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. Impairment loss of approximately HK$4.8 million was made for right-of-use assets during the year to reduce its carrying amount to its recoverable amount.	Our procedures in relation to management's impairment assessment included: • Assessing the integrity of the valuation model; • Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business; • Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and • Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter *(Continued)*	**How our audit addressed the 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$142.6 million as at 30 June 2021 before recognition of impairment losses during the year. 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 losses of approximately HK$14.7 million, HK$19.0 million and HK$0.2 million were made for fixed assets, right-of-use assets and prepayment respectively during the year 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)*
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 trading business segment with total carrying amount of approximately HK$524.6 million as at 30 June 2021 before recognition of impairment losses during the year. During the year, the FMCG trading 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 trading 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 losses of approximately HK$2.5 million, HK$10.3 million and HK$5.5 million were made for fixed assets, intangible assets and prepayment respectively during the year 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

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 this 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.

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

INDEPENDENT AUDITOR'S REPORT

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

- 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, actions taken to eliminate threats or safeguards applied.

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 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

	Note	**2021** **HK$'000**	2020 HK$'000
Revenue	7	**520,254**	541,915
Cost of sales		**(502,746)**	(509,831)
Gross profit		**17,508**	32,084
Changes in fair value due to biological transformation	26	**(38,667)**	(32,684)
Other gains and income	8	**20,544**	33,758
Selling and distribution expenses		**(36,403)**	(55,514)
Administrative expenses		**(65,638)**	(77,477)
Impairment losses on trade receivables and deposits and other receivables		**(35,250)**	(58,601)
Other operating expenses		**(111,775)**	(160,214)
Loss from operations		**(249,681)**	(318,648)
Finance costs	10	**(452)**	(541)
Loss before tax		**(250,133)**	(319,189)
Income tax credit	11	**2,913**	839
Loss for the year	12	**(247,220)**	(318,350)
Attributable to:			
Owners of the Company		**(247,213)**	(318,339)
Non-controlling interests		**(7)**	(11)
		(247,220)	(318,350)
Loss per share	15		
Basic		**HK(13 cents)**	HK(17 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	2021 HK$'000	2020 HK$'000
Loss for the year	**(247,220)**	(318,350)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**1,468**	1,356
Deferred tax liability on revaluation of buildings	**(367)**	(339)
	1,101	1,017
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**26,839**	(13,700)
Fair value changes on financial assets at fair value through other comprehensive income ("FVTOCI")	**(288)**	350
	26,551	(13,350)
Other comprehensive income for the year, net of tax	**27,652**	(12,333)
Total comprehensive income for the year	**(219,568)**	(330,683)
Attributable to:		
Owners of the Company	**(219,561)**	(330,672)
Non-controlling interests	**(7)**	(11)
	(219,568)	(330,683)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Fixed assets	16	**225,130**	251,861
Right-of-use assets	17	**57,262**	97,870
Construction in progress	18	**73,302**	60,592
Bearer plants	19	**99,488**	100,516
Goodwill	20	**10,564**	19,083
Other intangible assets	21	**32,606**	64,516
Other assets	22	**11,661**	1,029
Investment in a joint venture	23	**–**	–
Investment in a club membership	24	**108**	108
Investments	25	**110,548**	25,850
Deferred tax assets	33	**7,861**	5,025
		628,530	626,450
Current assets			
Biological assets	26	**18,227**	23,948
Inventories	27	**131,580**	123,204
Trade receivables	28	**247,627**	206,521
Prepayments, deposits and other receivables		**123,727**	112,124
Investments	25	**12,051**	181,324
Current tax assets		**394**	–
Pledged bank deposits	29	**17,096**	424
Client trust bank balances	29	**4,890**	7,457
Bank and cash balances	29	**223,423**	349,334
		779,015	1,004,336
TOTAL ASSETS		**1,407,545**	1,630,786
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	34	**187,270**	187,270
Reserves	36(a)	**1,114,489**	1,334,050
		1,301,759	1,521,320
Non-controlling interests		**(15,895)**	(15,888)
Total equity		**1,285,864**	1,505,432

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current liabilities			
Lease liabilities	32	**3,137**	4,980
Deferred tax liabilities	33	**11,690**	10,152
		14,827	15,132
Current liabilities			
Trade payables	30	**71,537**	69,213
Accruals and other payables		**17,247**	16,844
Borrowings	31	**15,710**	20,424
Lease liabilities	32	**2,360**	3,087
Current tax liabilities		**–**	654
		106,854	110,222
Total liabilities		**121,681**	125,354
TOTAL EQUITY AND LIABILITIES		**1,407,545**	1,630,786
Net current assets		**672,161**	894,114
Total assets less current liabilities		**1,300,691**	1,520,564

Approved by the Board of Directors on 30 September 2021 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 2021

	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	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 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
Total comprehensive income for the year	–	–	–	(13,700)	–	1,017	350	–	(318,339)	(330,672)	(11)	(330,683)
Transfer of reserve upon lapse of share options	–	–	–	–	(11,612)	–	–	–	11,612	–	–	–
Change in equity for the year	–	–	–	(13,700)	(11,612)	1,017	350	–	(306,727)	(330,672)	(11)	(330,683)
At 30 June 2020	187,270	2,389,536	97	76,426	–	12,251	350	(86,094)	(1,058,516)	1,521,320	(15,888)	1,505,432
At 1 July 2020	**187,270**	**2,389,536**	**97**	**76,426**	**-**	**12,251**	**350**	**(86,094)**	**(1,058,516)**	**1,521,320**	**(15,888)**	**1,505,432**
Total comprehensive income for the year	**-**	**-**	**-**	**26,839**	**-**	**1,101**	**(288)**	**-**	**(247,213)**	**(219,561)**	**(7)**	**(219,568)**
Change in equity for the year	**-**	**-**	**-**	**26,839**	**-**	**1,101**	**(288)**	**-**	**(247,213)**	**(219,561)**	**(7)**	**(219,568)**
At 30 June 2021	**187,270**	**2,389,536**	**97**	**103,265**	**-**	**13,352**	**62**	**(86,094)**	**(1,305,729)**	**1,301,759**	**(15,895)**	**1,285,864**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(250,133)**	(319,189)
Adjustments for:		
Amortisation of other intangible assets	**21,575**	26,137
Changes in fair value due to biological transformation	**38,667**	32,684
Depreciation of fixed assets, net of amount capitalised	**16,993**	26,415
Depreciation of right-of-use assets, net of amount capitalised	**14,183**	10,714
Finance costs	**452**	541
Gain on disposal of fixed assets	**–**	(105)
Gain on disposal of financial assets at fair value through profit or loss ("FVTPL")	**–**	(2,033)
Loss/(gain) on redemption of financial assets at FVTPL, net	**4,041**	(1,119)
Interest income	**(13,534)**	(18,491)
Impairment loss on trade receivables	**22,936**	57,424
Reversal of impairment loss on trade receivables	**(9,578)**	(3,823)
Impairment loss on prepayment, deposits and other receivables	**27,569**	37,006
Impairment loss on fixed assets	**17,163**	89,436
Impairment loss on right-of-use assets	**23,794**	2,774
Impairment loss on other intangible assets	**10,335**	3,900
Impairment loss on goodwill	**8,519**	–
Impairment loss on inventories	**–**	28,168
Fixed assets written off	**–**	68
Fair value loss/(gain) on financial assets at FVTPL, net	**42,246**	(9,627)
Operating loss before working capital changes	**(24,772)**	(39,120)
Increase in biological assets	**(11,424)**	(8,671)
Decrease in inventories	**4,697**	2,995
Increase in other assets	**(10,632)**	(22,669)
Decrease/(increase) in client trust bank balances	**2,567**	(1,151)
(Increase)/decrease in trade and other receivables, prepayments and deposits	**(95,194)**	73,572
Increase/(decrease) in trade and other payables	**2,727**	(28,947)
Purchase of financial assets at FVTPL	**(60,000)**	–
Proceeds from disposal of financial assets at FVTPL	**–**	9,397
Proceeds from redemption of financial assets at FVTPL	**98,000**	21,000
Cash (used in)/generated from operations	**(94,031)**	6,406
Income tax paid	**(682)**	(507)
Interest paid	**(138)**	(285)
Interest on lease liabilities	**(314)**	(256)
Net cash (used in)/generated from operating activities	**(95,165)**	5,358

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2021

	2021 HK$'000	2020 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**9,626**	9,688
Payments for right-of-use assets	**–**	(10,089)
Proceeds from disposal of fixed assets	**–**	105
Purchases of fixed assets	**(7,966)**	(25,701)
Purchases of financial assets at FVTOCI	**–**	(25,500)
Purchase of other intangible assets	**–**	(28,294)
Increase in pledged bank deposits	**(16,672)**	(424)
Decrease in time deposits with original maturity over three months	**11,904**	1,673
Additions to construction in progress	**(26,579)**	(27,653)
Net cash used in investing activities	**(29,687)**	(106,195)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	**(64,000)**	(75,000)
Drawdown of bank loans	**59,000**	80,000
Increase/(decrease) in import loans	**286**	(4,745)
Principal elements of lease payments	**(2,937)**	(1,362)
Net cash used in financing activities	**(7,651)**	(1,107)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(132,503)**	(101,944)
Effect of foreign exchange rate changes	**18,496**	(10,291)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**337,430**	449,665
CASH AND CASH EQUIVALENTS AT END OF YEAR	**223,423**	337,430
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**223,423**	349,334
Less: Time deposits with original maturity over three months	**–**	(11,904)
	223,423	337,430

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions.

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

3. ADOPTION OF NEW AND REVISED HKFRSs *(CONTINUED)*

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

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 July 2020. The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group.

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 July 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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 it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(a) Consolidation *(Continued)*

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.

(b) Goodwill

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, which is included in the carrying amount of the investment. 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 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(c) Joint arrangements *(Continued)*

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

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 2021

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Fixed assets *(Continued)*

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	4–20 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, with the effect of any changes in estimate accounted for on a prospective basis.

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 of fixed assets, depreciation of right-of-use assets, and management fees 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.

(g) Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leases *(Continued)*

(i) The Group as a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leases *(Continued)*

(i) The Group as a lessee (Continued)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

(ii) The Group as a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating 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.

(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 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 fruit 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Inventories

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

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

(l) Recognition and derecognition of financial instruments

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

Financial assets 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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Financial assets *(Continued)*

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 expected credit losses ("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.

(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 that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(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 and other income

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Revenue and other income *(Continued)*

Revenue from the sale of jewellery products is recognised when control of the products 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 receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(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. For the year ended 30 June 2021, no forfeited contributions by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions was used by the Group to reduce the existing level of contributions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(u) Employee benefits *(Continued)*

(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

(i) *Share option scheme*

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.

(ii) *Share award plan*

The Group operates the share award plan, which is an equity-settled share-based compensation plan under which awarded shares are granted to eligible participants of the Group selected by the Board of Directors (the "Board").

The amount to be expensed as share-based compensation expenses is determined by reference to the fair value of the awarded shares granted, taking into account all non-vesting conditions associated with the grants on grant date. The total expense is recognised on a straight-line basis over the relevant vesting periods (or on the grant date if the shares vest immediately), with a corresponding credit to the share-based payment reserve under equity.

For those awarded shares which are amortised over the vesting periods, the Group revises its estimates of the number of awarded shares that are expected to ultimately vest based on the vesting conditions at the end of each reporting period. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to share-based compensation expense in the current year, with a corresponding adjustment to the share-based payment reserve.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(x) Government grants

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

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

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

(y) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(y) Taxation *(Continued)*

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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.

(z) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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 CGUs 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.

(aa) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or 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 arising from trading and cash client receivables arising from dealing in securities. 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 trade receivables from margin clients in which arising from margin financing and 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 trade receivables from margin clients and financial instrument have not increased significantly since initial recognition, the Group measures the loss allowance for them 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 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) 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 and margin financing 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 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) 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, breach of financial covenants 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Measurement and recognition of ECL (Continued)

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 FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(ab) 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.

(ac) 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 2021

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 fruit trees 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(aa), 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 2021

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) *Impairment of segment assets (excluding goodwill, trade receivables and deposits and other receivables)*

In determining whether a segment asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the segment asset value; (2) whether the carrying value of a segment asset can be supported by the recoverable amount of the CGU to which the segment asset has been allocated, in the case of value in use of the CGU, the net present value of future cash flows expected to arise from the CGU which are estimated based upon the continued use of the segment asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

The carrying amounts of fast moving consumer goods ("FMCG") trading business segment assets, agri-products business segment assets and logistics services business segment assets at the end of the reporting period were approximately HK$506,265,000 (2020: HK$556,633,000), HK$538,548,000 (2020: HK$543,412,000) and HK$108,697,000 (2020: HK$145,906,000) respectively after impairment losses. Impairment losses of approximately HK$18,324,000 (2020: HK$10,476,000), HK$4,808,000 (2020: HK$107,796,000) and HK$33,837,000 (2020: HK$9,844,000) were recognised to FMCG trading business segment assets, agri-products business segment assets and logistics services business segment assets respectively during the year.

(b) *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 2021 was approximately HK$225,130,000 (2020: HK$251,861,000).

(c) *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 2021 was approximately HK$32,606,000 (2020: HK$64,516,000).

(d) *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$2,913,000 (2020: HK$839,000) was credited to profit or loss based on the estimated profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

Key sources of estimation uncertainty *(Continued)*

(e) *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. Where the actual future cash flows are less than the expected, or changes in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

The carrying amount of goodwill at the end of the reporting period was approximately HK$10,564,000 (2020: HK$19,083,000) after an impairment loss of approximately HK$8,519,000 was recognised during the year (2020: HK$Nil). Details of the impairment loss calculation are provided in note 20 to the consolidated financial statements.

(f) *Impairment of trade receivables and deposits and other receivables, excluding prepayments*

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and deposits and other receivables based on the their credit risk. 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 2021, the carrying amounts of trade receivables and deposits and other receivables were approximately HK$247,627,000 and HK$89,676,000 respectively, net of accumulated impairment losses of approximately HK$75,557,000 and HK$49,900,000 respectively (2020: HK$206,521,000 and HK$106,312,000 respectively, net of accumulated impairment losses of approximately HK$62,171,000 and HK$26,962,000 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. Allowance for slow-moving inventories of approximately HK$Nil was made for the year ended 30 June 2021 (2020: HK$28,168,000).

(h) *Fair value of buildings*

The Group appointed an independent professional valuer to assess the fair value of buildings. In determining the fair value of 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 its fair value and current market conditions.

The carrying amount of the buildings as at 30 June 2021 was approximately HK$98,554,000 (2020: HK$91,209,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

Key sources of estimation uncertainty *(Continued)*

(i) *Fair values of unlisted debt investments at FVTPL and FVTOCI*

The Group appointed an independent professional valuer to assess the fair values of the unlisted debt investments at FVTPL and FVTOCI. In determining the fair values of the unlisted debt investments at FVTPL and FVTOCI, 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 methods of valuation and inputs used are reflective of their fair values and current market conditions.

The carrying amounts of the unlisted debt investments at FVTPL and FVTOCI as at 30 June 2021 were approximately HK$84,986,000 (2020: HK$181,232,000) and HK$25,562,000 (2020: HK$25,850,000) respectively.

(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 2021 was approximately HK$99,488,000 (2020: HK$100,516,000).

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments at 30 June

	2021 **HK$'000**	2020 HK$'000
Financial assets:		
Financial assets at FVTPL:		
Mandatorily measured at FVTPL		
—Held for trading	**12,051**	92
—Unlisted debt investments	**84,986**	181,232
Financial assets measured at amortised cost	**582,712**	670,048
Financial assets measured at FVTOCI:		
—Unlisted debt investments	**25,562**	25,850
Financial liabilities:		
Financial liabilities at amortised cost	**103,560**	105,991

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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:

	2021	2020
	HK$'000	HK$'000
Assets		
RMB	**37,773**	64,069
USD	**99,254**	118,802
Liabilities		
USD	**64,374**	54,179

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as HK$ is pegged with USD. At 30 June 2021, if HK$ had weakened/strengthened 10% (2020: 7%) against RMB with all other variables held constant, consolidated loss after tax for the year ended 30 June 2021 would have been approximately HK$3,777,000 (2020: HK$4,485,000) lower/higher, arising mainly as a result of the foreign exchange gain/loss on bank balances and deposits and other receivables denominated in RMB.

(ii) Price risk

The Group's investments classified as financial assets at FVTOCI 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 for the year ended 30 June 2021 would be decreased/increased by approximately HK$1,205,000 (2020: HK$9,000) as a result of changes in fair value of investments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(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 arising from trading and cash client receivables arising from dealing in securities

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 30–210 days (2020: 30–210 days) from the date of billing (except for cash client receivables arising 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 except for trade receivables from margin clients at an amount equal to lifetime ECL, 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 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Trade receivables arising from trading and cash client receivables arising from dealing in securities (Continued)

The following table provides information about the Group's exposure to credit risk and ECL for trade receivables arising from trading and cash client receivables arising from dealing in securities as at 30 June:

	2021					
	ECL rate %	Gross carrying amount excluding specific trade receivables HK$'000	ECL excluding specific trade receivables HK$'000	Gross carrying amount of specific trade receivables HK$'000	Loss allowance for specific trade receivables HK$'000	Total loss allowance HK$'000
Securities dealing segment						
Current (not past due)	0%	858	-	-	-	-
1–30 days past due	0%	32	-	-	-	-
31–90 days past due	0%	495	-	-	-	-
91–180 days past due	0%	668	-	-	-	-
More than 180 days past due	6%	705	(44)	5,065	(5,065)	(5,109)
		2,758	(44)	5,065	(5,065)	(5,109)
Other segments						
Current (not past due)	1%	215,409	(2,278)	4,616	(4,616)	(6,894)
1–30 days past due	5%	4,211	(199)	1,157	(1,157)	(1,356)
31–60 days past due	6%	784	(45)	780	(780)	(825)
61–90 days past due	0%	-	-	996	(996)	(996)
More than 90 days past due	0%	-	-	45,990	(45,990)	(45,990)
		220,404	(2,522)	53,539	(53,539)	(56,061)
Total		223,162	(2,566)	58,604	(58,604)	(61,170)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Trade receivables arising from trading and cash client receivables arising from dealing in securities (Continued)

	2020					
	ECL rate %	Gross carrying amount excluding specific trade receivables HK$'000	ECL excluding specific trade receivables HK$'000	Gross carrying amount of specific trade receivables HK$'000	Loss allowance for specific trade receivables HK$'000	Total loss allowance HK$'000
Securities dealing segment						
Current (not past due)	0%	1,088	–	–	–	–
1–30 days past due	0%	2,904	–	157	(157)	(157)
31–90 days past due	0%	274	–	1,198	(1,198)	(1,198)
91–180 days past due	0%	–	–	–	–	–
More than 180 days past due	38%	117	(44)	3,982	(3,982)	(4,026)
		4,383	(44)	5,337	(5,337)	(5,381)
Other segments						
Current (not past due)	3%	175,046	(5,638)	–	–	(5,638)
1–30 days past due	5%	34,669	(1,895)	–	–	(1,895)
31–60 days past due	100%	3,267	(3,267)	–	–	(3,267)
61–90 days past due	0%	–	–	–	–	–
More than 90 days past due	0%	–	–	45,990	(45,990)	(45,990)
		212,982	(10,800)	45,990	(45,990)	(56,790)
Total		217,365	(10,844)	51,327	(51,327)	(62,171)

Expected loss rates are based on actual loss experience over the past 4 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Margin client receivables arising from margin financing

Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities. The amount of credit facilities granted to the margin clients is determined with reference to the discounted market value of securities accepted by the Group. The pledged securities collateral are mainly listed equity securities in Hong Kong and is monitored on an ongoing basis.

The collateral for covering the credit risk exposure in case of default is subject to mark-to-market monitoring on a daily basis. Default, margin call and forced liquidation procedures are in place for margin clients. To manage the credit risk exposure, when the level of securities collateral in proportion to the outstanding balance ("collateral ratio") due from the margin client has reached alarming level, the Group will demand the margin clients to deposit additional money or securities to maintain their margin accounts, or to sell their securities collateral to reduce the exposure.

For margin client receivables arising from margin financing, the management considered that the probability of default for margin client receivables is highly correlated with the collateral value rather than the past due days.

Such receivables are considered to be credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that receivables have occurred which include significant financial difficulty of the debtors; collateral ratio of the relevant trade receivables exceeding the Group's tolerable level; significant decrease in the value of the collateral and failure to top up shortfall upon margin call of the Group. Receivables are written off when there is no reasonable expectation of recovering the contractual cash flows.

Impairment losses were provided for margin client receivables for which there were significant increase in credit risk since initial recognition and they were mainly due from (i) those margin clients whose collateral ratio reached alarming level or even exceeded the Group's tolerable level; and (ii) those margin clients without any securities collateral after forced liquidation action taken by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Margin client receivables arising from margin financing (Continued)

Movement in the loss allowance for margin client receivables arising from margin financing during the year is as follows:

		Lifetime ECL		
	12-month ECL HK$'000	**Not credit-impaired HK$'000**	**Credit-impaired HK$'000**	**Total HK$'000**
At 1 July 2019, 30 June 2020 and 1 July 2020	–	–	–	–
Impairment loss recognised for the year	–	–	14,387	14,387
At 30 June 2021	**–**	**–**	**14,387**	**14,387**
Gross carrying amount:				
Trade receivables as at 30 June 2021	**20,279**	**–**	**21,139**	**41,418**
Trade receivables as at 30 June 2020	–	–	–	–

The Group has pledged securities as collateral amounted to approximately HK$7,626,000 as at 30 June 2021 (2020: HK$Nil) in respect of the credit-impaired trade receivables from margin clients.

Reconciliation of impairment loss on trade receivables:

	2021 HK$'000	2020 HK$'000
At 1 July	**62,171**	17,553
Impairment loss recognised for the year (note 12)	**22,936**	57,424
Amounts written off during the year	**–**	(8,974)
Reversal for the year (note 12)	**(9,578)**	(3,823)
Exchange differences	**28**	(9)
At 30 June	**75,557**	62,171

The significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during the year due to origination of new trade receivables net of those settled resulted in an increase in loss allowance of approximately HK$14,387,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Deposits and other receivables

Movement in the loss allowance for deposits and other receivables, during the year is as follows:

	2021 **HK$'000**	2020 HK$'000
At 1 July	**26,962**	22,530
Impairment loss recognised for the year	**21,892**	5,000
Amounts written off during the year	**(561)**	–
Exchange differences	**1,607**	(568)
At 30 June	**49,900**	26,962

Financial assets at FVTOCI and amortised cost

All of the Group's other financial assets and at 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 investments 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 exposed to credit risk in relation to unlisted debt investments that are measured at FVTPL and FVTOCI. The maximum exposure at the end of the reporting period is the carrying amount of these investments of approximately HK$110,548,000 (2020: HK$207,082,000).

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iv) Liquidity risk (Continued)

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

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000
At 30 June 2021						
Trade payables	**–**	**71,537**	**–**	**–**	**–**	**71,537**
Accruals and other payables	**–**	**16,313**	**–**	**–**	**–**	**16,313**
Borrowings subject to a repayment on demand clause	**15,710**	**–**	**–**	**–**	**–**	**15,710**
Lease liabilities	**–**	**2,447**	**630**	**–**	**5,783**	**8,860**
	15,710	**90,297**	**630**	**–**	**5,783**	**112,420**

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000
At 30 June 2020						
Trade payables	–	69,213	–	–	–	69,213
Accruals and other payables	–	16,354	–	–	–	16,354
Borrowings subject to a repayment on demand clause	20,424	–	–	–	–	20,424
Lease liabilities	–	3,281	2,373	575	5,275	11,504
	20,424	88,848	2,373	575	5,275	117,495

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 2021	**15,727**
At 30 June 2020	20,442

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(v) Interest rate risk

The Group's exposure to interest rate risk arises from its margin client receivables, bank deposits, pledged bank deposits and borrowings. These margin client receivables, 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 margin client receivables, deposits and borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rate risk on its variable-rate margin client receivables, deposits and borrowings at the end of the reporting period and prepared assuming the amount of margin client receivables, 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 2021 would be decreased/increased by approximately HK$225,000 (2020: increased/decreased by approximately HK$127,000), arising mainly as a result of higher interest income on margin client receivables (2020: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that 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.

(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$'000	Total 2021 HK$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
— Listed equity securities in Hong Kong	**12,051**	**–**	**–**	**12,051**
— Unlisted debt investments in Hong Kong	**–**	**–**	**84,986**	**84,986**
Financial assets at FVTOCI				
— Unlisted debt investments in Hong Kong	**–**	**–**	**25,562**	**25,562**
Buildings				
Commercial and industrial — the PRC	**–**	**–**	**98,554**	**98,554**
Total recurring fair value measurements	**12,051**	**–**	**209,102**	**221,153**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

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

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2020 HK$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
— Listed equity securities in Hong Kong	92	–	–	92
— Unlisted debt investments in Hong Kong	–	–	181,232	181,232
Financial assets at FVTOCI				
— Unlisted debt investments in Hong Kong	–	–	25,850	25,850
Buildings				
Commercial and industrial — the PRC	–	–	91,209	91,209
Total recurring fair value measurements	92	–	298,291	298,383

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 2021

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$'000	Financial assets at FVTOCI – Unlisted debt investments in Hong Kong HK$'000	Buildings Commercial and industrial – the PRC HK$'000	Total HK$'000
At 1 July 2020	181,232	25,850	91,209	298,291
Purchases	60,000	–	–	60,000
Redemption	(98,000)	–	–	(98,000)
Conversion	(61,857)	–	–	(61,857)
Total gains or losses recognised in profit or loss				
– Fair value gain on financial assets at FVTPL	7,652	–	–	7,652
– Loss on redemption of financial assets at FVTPL, net	(4,041)	–	–	(4,041)
– Depreciation	–	–	(2,854)	(2,854)
Total gains or losses recognised in other comprehensive income				
– Fair value changes on financial assets at FVTOCI	–	(288)	–	(288)
– Fair value change on revaluation of buildings	–	–	1,468	1,468
– Exchange differences on translating foreign operations	–	–	8,731	8,731
At 30 June 2021	84,986	25,562	98,554	209,102
Include gains or losses for assets held at end of reporting period	3,611	–	(2,854)	757

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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: *(Continued)*

Description	Financial assets at FVTPL – Unlisted debt investments in Hong Kong HK$'000	Financial assets at FVTOCI – Unlisted debt investments in Hong Kong HK$'000	Buildings Commercial and industrial – the PRC HK$'000	Total HK$'000
At 1 July 2019	191,486	–	95,682	287,168
Purchases	–	25,500	–	25,500
Redemption	(21,000)	–	–	(21,000)
Total gains or losses recognised in profit or loss				
– Fair value gain on financial assets at FVTPL	9,627	–	–	9,627
– Gain on redemption of financial assets at FVTPL	1,119	–	–	1,119
– Depreciation	–	–	(2,675)	(2,675)
Total gains or losses recognised in other comprehensive income				
– Fair value changes on financial assets at FVTOCI	–	350	–	350
– Fair value change on revaluation of buildings	–	–	1,356	1,356
– Exchange differences on translating foreign operations	–	–	(3,154)	(3,154)
At 30 June 2020	181,232	25,850	91,209	298,291
Include gains or losses for assets held at end of reporting period	10,746	–	(2,675)	8,071

The total gains or losses recognised in profit or loss including those for assets held at end of reporting period are presented in administrative expenses and other operating expenses (2020: other gains and income and other operating expenses) in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 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 2021 HK$'000	Fair value 2020 HK$'000
Buildings						
Commercial and industrial – the PRC	Depreciated replacement cost	Discount rate	33.03% (2020: 30.98%)	Decrease	**98,554**	91,209
		Replacement cost (per s.q.m)	RMB2,732 to RMB7,525 (2020: RMB2,692 to RMB7,414)	Increase		
Unlisted debt investments in Hong Kong classified as financial assets at FVTPL	Binomial Option Pricing Model	Expected volatilities	60.426% (2020: 59.502% to 122.228%)	Increase	**84,986**	181,232
		Risky discount rate	6.265% (2020: 31.948% to 33.342%)	Decrease		
Unlisted debt investments in Hong Kong classified as financial assets at FVTOCI	Income approach	Discount rate	7.119% to 7.122% (2020: 5.997%)	Decrease	**25,562**	25,850
		Expected volatilities	54.515% to 55.991% (2020: N/A)	Decrease		

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 2021

7. REVENUE

Disaggregation of revenue

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

	2021 HK$'000	2020 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Sales of consumer goods	**313,027**	322,332
— Sales of agri-products	**200,811**	202,485
— Logistics services income	**2,231**	9,491
— Sales of jewellery products in tourist retailing	**534**	5,807
— Commission and brokerage income on securities dealings	**1,637**	1,800
	518,240	541,915
Revenue from other sources		
— Interest income from margin financing	**2,014**	–
	520,254	541,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

7. REVENUE *(CONTINUED)*

Disaggregation of revenue *(Continued)*

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

	For the year ended 30 June 2021					
	Consumer goods HK$'000	**Agri-products HK$'000**	**Logistics services HK$'000**	**Tourist retailing HK$'000**	**Securities dealing services HK$'000**	**Total HK$'000**
Primary geographical markets						
Hong Kong	**–**	**45,400**	**–**	**534**	**1,637**	**47,571**
PRC except Hong Kong	**313,027**	**155,411**	**2,231**	**–**	**–**	**470,669**
Revenue from external customers	**313,027**	**200,811**	**2,231**	**534**	**1,637**	**518,240**
Timing of revenue recognition						
Products and services transferred at a point in time	**313,027**	**200,811**	**2,231**	**534**	**1,637**	**518,240**

	For the year ended 30 June 2020					
	Consumer goods HK$'000	Agri-products HK$'000	Logistics services HK$'000	Tourist retailing HK$'000	Securities dealing services HK$'000	Total HK$'000
Primary geographical markets						
Hong Kong	–	48,634	–	5,807	1,800	56,241
PRC except Hong Kong	322,332	153,851	9,491	–	–	485,674
Revenue from external customers	322,332	202,485	9,491	5,807	1,800	541,915
Timing of revenue recognition						
Products and services transferred at a point in time	322,332	202,485	9,491	5,807	1,800	541,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

8. OTHER GAINS AND INCOME

	2021 HK$'000	2020 HK$'000
Dividend income from listed equity investments	**5**	30
Exchange gains, net	**5,219**	–
Fair value gain on financial assets at FVTPL, net	**–**	9,627
Gain on redemption of financial assets at FVTPL	**–**	1,119
Gain on disposal of financial assets at FVTPL	**–**	2,033
Gain on disposal of fixed assets	**–**	105
Government grants (note)	**1,389**	915
Interest income on bank deposits	**2,226**	4,667
Interest income on financial assets at FVTPL	**9,778**	13,466
Interest income on financial assets at FVTOCI	**1,530**	358
Sundry income	**397**	1,438
	20,544	33,758

Note:

During the year, the Group recognised government grants of approximately HK$1,389,000, which relate to Employment Support Scheme provided by the Hong Kong government, in respect of COVID-19 related subsidies.

9. SEGMENT INFORMATION

The Group has three reportable segments as follows:

(i) The sale and trading of FMCG including packaged foods, beverages and household consumable 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 and margin financing services and tourist retailing of jewellery products. 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 loss do not include gain or loss from investments, impairment loss on goodwill, certain other gains and income, certain finance costs and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investment in a joint venture, investments, investment in a club membership, certain fixed assets and certain right-of-use assets. Segment liabilities do not include certain borrowings, certain accruals and other payables and certain lease liabilities. Segment non-current liabilities do not include certain lease liabilities.

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 2021

9. SEGMENT INFORMATION *(CONTINUED)*

Information about reportable segment revenue, 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 2021					
Revenue from external customers	313,027	200,811	2,231	4,185	520,254
Segment loss	(45,504)	(84,436)	(42,071)	(15,149)	(187,160)
Depreciation and amortisation	25,238	17,759	7,384	1,294	51,675
Income tax credit	–	16	206	2,836	3,058
Other material non-cash items:					
Changes in fair value due to biological transformation	–	38,667	–	–	38,667
Impairment losses on trade receivables, prepayments and other receivables	8,156	15,568	3,088	14,115	40,927
Impairment loss on fixed assets	2,495	–	14,668	–	17,163
Impairment loss on right-of-use assets	–	4,808	18,986	–	23,794
Impairment loss on other intangible assets	10,335	–	–	–	10,335
Additions to segment non-current assets	24,282	27,491	1,114	2	52,889
At 30 June 2021					
Segment assets	506,265	538,548	108,697	64,611	1,218,121
Segment liabilities	42,908	30,094	12,327	8,209	93,538

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9. SEGMENT INFORMATION *(CONTINUED)*

Information about reportable segment revenue, 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 2020					
Revenue from external customers	322,332	202,485	9,491	7,607	541,915
Segment loss	(68,225)	(220,396)	(19,087)	(7,318)	(315,026)
Depreciation and amortisation	30,155	23,462	8,384	953	62,954
Income tax (expense)/credit	–	(29)	(143)	1,154	982
Other material non-cash items:					
Changes in fair value due to biological transformation	–	32,684	–	–	32,684
Impairment losses on trade receivables, prepayments and other receivables	33,982	46,933	3,587	1,105	85,607
Impairment loss on fixed assets	6,576	75,673	7,187	–	89,436
Impairment loss on right-of-use assets	–	2,774	–	–	2,774
Impairment loss on other intangible assets	3,900	–	–	–	3,900
Impairment loss on inventories	–	28,168	–	–	28,168
Additions to segment non-current assets	38,610	75,852	16	135	114,613
At 30 June 2020					
Segment assets	556,633	543,412	145,906	46,686	1,292,637
Segment liabilities	46,195	21,245	11,477	11,922	90,839

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

9. SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of reportable segment loss, assets and liabilities:

	2021 HK$'000	2020 HK$'000
Loss		
Total loss of reportable segments	**(187,160)**	(315,026)
Fair value (loss)/gain on financial assets at FVTPL, net	**(42,246)**	9,627
Impairment loss on goodwill	**(8,519)**	–
Unallocated amounts:		
Other corporate expenses	**(9,295)**	(12,951)
Consolidated loss for the year	**(247,220)**	(318,350)
Assets		
Total assets of reportable segments	**1,218,121**	1,292,637
Unallocated amounts:		
Investments	**122,599**	207,174
Other corporate assets	**66,825**	130,975
Consolidated total assets	**1,407,545**	1,630,786
Liabilities		
Total liabilities of reportable segments	**93,538**	90,839
Unallocated amounts:		
Other corporate liabilities	**28,143**	34,515
Consolidated total liabilities	**121,681**	125,354

Geographical information:

The Group's revenue 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	
	2021 HK$'000	2020 HK$'000	2021 HK$'000	2020 HK$'000
Hong Kong	**49,585**	56,241	**12,929**	24,019
PRC except Hong Kong	**470,669**	485,674	**496,519**	571,351
Others	**–**	–	**468**	–
Consolidated total	**520,254**	541,915	**509,916**	595,370

Revenue from major customer:

For the years ended 30 June 2021 and 2020, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

10. FINANCE COSTS

	2021 HK$'000	2020 HK$'000
Interest on borrowings	**138**	285
Interest expenses on lease liabilities	**314**	256
	452	541

11. INCOME TAX CREDIT

	2021 HK$'000	2020 HK$'000
Current tax — Hong Kong Profits Tax		
Provision for the year	**–**	441
Over-provision in prior years	**(366)**	(20)
	(366)	421
Deferred tax (note 33)	**(2,547)**	(1,260)
	(2,913)	(839)

Under the two-tiered Profits Tax regime, the first HK$2 million of assessable profits of the qualifying Group entity established in Hong Kong will be taxed at 8.25%, and assessable profits above that amount will be subject to the tax rate of 16.5%. The assessable profits of the Group entities not qualifying for the two-tiered Profits Tax regime will continue to be taxed at a 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 ("Macau"), two subsidiaries operating in Macau during the year up to 31 December 2020 are in compliance with the Macau Decree-Law No. 58/99/M, and thus, the loss/profit generated by the subsidiaries are exempted from the Macau Complementary Tax. Furthermore, in the opinion of the directors, that portion of the Group's loss/profit is not at present subject to taxation in any other jurisdictions in which the Group operates. According to the Macau Decree-Law No. 15/2018 in relation to repeal the regime of offshore service of Macau, the subsidiaries' offshore permits terminated on 1 January 2021. Upon the termination of permits, the subsidiaries have been transformed as Macau local companies which is subject to Macau Profit Tax in compliance with relevant Macau tax regulations.

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11. INCOME TAX CREDIT *(CONTINUED)*

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2020: 25%), based on existing legislation, interpretation and practices in respect thereof.

The reconciliation of the income tax expenses and the product of 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:

	2021				2020			
	Macau HK$'000	**Hong Kong HK$'000**	**PRC HK$'000**	**Total HK$'000**	Macau HK$'000	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Loss before tax	**(16,123)**	**(109,190)**	**(124,820)**	**(250,133)**	(70,350)	(51,683)	(197,156)	(319,189)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**(1,935)**	**(18,016)**	**(31,205)**	**(51,156)**	(8,442)	(8,528)	(49,289)	(66,259)
Tax effect of income not taxable	**–**	**(2,263)**	**(4,757)**	**(7,020)**	–	(2,086)	(6,536)	(8,622)
Tax effect of expenses not deductible	**1,660**	**9,278**	**29,766**	**40,704**	–	10,885	53,973	64,858
Loss exempted from the Macau Complementary Tax	**275**	**–**	**–**	**275**	8,442	–	–	8,442
Tax effect of unused tax losses not recognised	**–**	**8,359**	**1,894**	**10,253**	–	194	1,762	1,956
Tax effect of utilisation of tax losses not previously recognised	**–**	**(234)**	**–**	**(234)**	–	(1,512)	–	(1,512)
Tax effect of unrecognised temporary difference	**–**	**40**	**4,591**	**4,631**	–	11	376	387
Tax concession	**–**	**–**	**–**	**–**	–	(20)	–	(20)
Over-provision in prior years	**–**	**(366)**	**–**	**(366)**	–	(20)	–	(20)
Tax effect of change of tax rate	**–**	**–**	**–**	**–**	–	(49)	–	(49)
Income tax (credit)/expense	**–**	**(3,202)**	**289**	**(2,913)**	–	(1,125)	286	(839)

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For the year ended 30 June 2021

12. LOSS FOR THE YEAR

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

	2021 HK$'000	2020 HK$'000
Amortisation of other intangible assets (note 21)	**21,575**	26,137
Auditors' remuneration		
Audit services	**2,667**	2,624
Non-audit services	**362**	–
	3,029	2,624
Cost of inventories sold	**473,079**	474,842
Depreciation on fixed assets, net of amount capitalised (note 16)	**16,993**	26,415
Depreciation on right-of-use assets, net of amount capitalised (note 17)	**14,183**	10,714
Exchange (gains)/losses, net	**(5,219)**	2,728
Fair value loss/(gain) on financial assets at FVTPL, net	**42,246**	(9,627)
Gain on disposal of financial assets at FVTPL	**–**	(2,033)
Loss/(gain) on redemption of financial assets at FVTPL, net	**4,041**	(1,119)
Gain on disposal of fixed assets	**–**	(105)
Impairment loss on fixed assets (note 16)	**17,163**	89,436
Impairment loss on right-of-use assets (note 17)	**23,794**	2,774
Impairment loss on goodwill (note 20)	**8,519**	–
Impairment loss on other intangible assets (note 21)	**10,335**	3,900
Impairment loss on prepayments, deposits and other receivables	**27,569**	37,006
Impairment loss on inventories	**–**	28,168
Impairment loss on trade receivables (note 6(b))	**22,936**	57,424
Reversal of impairment loss on trade receivables (note 6(b))	**(9,578)**	(3,823)
Fixed assets written off	**–**	68
Rental income#	**(899)**	(868)
Staff costs (excluding directors' emoluments — note 13)		
Staff salaries, bonus and allowances	**22,024**	24,324
Retirement benefits scheme contributions	**583**	692
	22,607	25,016

Included in logistics services income in note 7

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:

	2021 HK$'000	2020 HK$'000
Fees	**450**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**6,214**	6,327
Discretionary bonus	**295**	288
Retirement benefits scheme contributions	**51**	52
	7,010	7,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

(a) Directors' emoluments *(Continued)*

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:

	2021 HK$'000	2020 HK$'000
Fees		
Mr. Poon Yiu Cheung Newman	**150**	150
Ms. Mak Yun Chu	**150**	150
Mr. Hung Hing Man	**150**	150
	450	450

(ii) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2021					
Mr. Lam Kwok Hing	**–**	**2,765**	**231**	**17**	**3,013**
Ms. Lee Choi Lin Joecy	**–**	**774**	**64**	**16**	**854**
Ms. Gao Qin Jian	**–**	**985**	**–**	**–**	**985**
Mr. Chan Cheuk Yu Stephen	**–**	**1,690**	**–**	**18**	**1,708**
	–	**6,214**	**295**	**51**	**6,560**
2020					
Mr. Lam Kwok Hing	–	2,731	225	18	2,974
Ms. Lee Choi Lin Joecy	–	762	63	16	841
Ms. Gao Qin Jian	–	964	–	–	964
Mr. Chan Cheuk Yu Stephen	–	1,870	–	18	1,888
	–	6,327	288	52	6,667

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 (2020: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

(a) Directors' emoluments *(Continued)*

The five highest paid individuals in the Group during the year included two (2020: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2020: three) individuals are set out below:

	2021	2020
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,060**	4,010
Discretionary bonus	**338**	330
Retirement benefits scheme contributions	**54**	54
	4,452	4,394

The emoluments fell within the following bands:

	Number of individuals	
	2021	2020
HK$1,000,001 to HK$1,500,000	**2**	2
HK$1,500,001 to HK$2,000,000	**1**	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2020: 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 a final dividend in respect of the year ended 30 June 2021 (2020: 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$247,213,000 (2020: HK$318,339,000) and the weighted average number of ordinary shares of 1,872,696,182 (2020: 1,872,696,182) 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 2021 and 30 June 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 2019	95,682	555,209	43,831	282,378	30,562	1,007,662
Additions	–	13,171	132	12,308	90	25,701
Disposals	–	–	–	–	(429)	(429)
Written off	–	(23,979)	(687)	(10,920)	(143)	(35,729)
Adjustment on revaluation	(1,319)	–	–	–	–	(1,319)
Exchange differences	(3,154)	–	(348)	(735)	(366)	(4,603)
At 30 June 2020 and 1 July 2020	91,209	544,401	42,928	283,031	29,714	991,283
Additions	–	5,687	2,109	117	53	7,966
Transfer from construction in progress	–	13,869	–	–	–	13,869
Written off	–	–	(23)	(11,071)	(63)	(11,157)
Adjustment on revaluation	(1,386)	–	–	–	–	(1,386)
Exchange differences	8,731	–	978	2,085	1,038	12,832
At 30 June 2021	98,554	563,957	45,992	274,162	30,742	1,013,407
Accumulated depreciation and impairment						
At 1 July 2019	–	408,053	12,016	193,838	28,807	642,714
Depreciation charge for the year	2,675	24,069	4,434	15,943	236	47,357
Disposals	–	–	–	–	(429)	(429)
Impairment loss (note 12)	–	–	15,284	74,152	–	89,436
Written off	–	(23,979)	(639)	(10,920)	(123)	(35,661)
Adjustment on revaluation	(2,675)	–	–	–	–	(2,675)
Exchange differences	–	–	(241)	(725)	(354)	(1,320)
At 30 June 2020 and 1 July 2020	–	408,143	30,854	272,288	28,137	739,422
Depreciation charge for the year	2,854	34,299	2,673	880	1,125	41,831
Impairment loss (note 12)	–	–	7,883	9,280	–	17,163
Written off	–	–	(23)	(11,071)	(63)	(11,157)
Adjustment on revaluation	(2,854)	–	–	–	–	(2,854)
Exchange differences	–	–	797	2,068	1,007	3,872
At 30 June 2021	–	442,442	42,184	273,445	30,206	788,277
Carrying amount						
At 30 June 2021	**98,554**	**121,515**	**3,808**	**717**	**536**	**225,130**
At 30 June 2020	91,209	136,258	12,074	10,743	1,577	251,861

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 2021						
At cost	**–**	**563,957**	**45,992**	**274,162**	**30,742**	**914,853**
At valuation	**98,554**	**–**	**–**	**–**	**–**	**98,554**
	98,554	**563,957**	**45,992**	**274,162**	**30,742**	**1,013,407**
At 30 June 2020						
At cost	–	544,401	42,928	283,031	29,714	900,074
At valuation	91,209	–	–	–	–	91,209
	91,209	544,401	42,928	283,031	29,714	991,283

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

Depreciation charge for the year is analysed as follows:

	2021 HK$'000	2020 HK$'000
Charged to profit or loss (note 12)	**16,993**	26,415
Capitalised as bearer plants	**2,238**	1,804
Capitalised as biological assets (note 26)	**22,600**	19,138
	41,831	47,357

The Group's buildings were revalued as at 30 June 2021 by using the depreciated replacement cost basis by Hong Kong Appraisal Advisory Limited, a firm of independent professional valuers.

At 30 June 2021, the carrying amount of the Group's buildings would have been approximately HK$77,050,000 (2020: HK$72,580,000) had they been stated at cost less accumulated depreciation.

The Group recorded a decline in revenue and incurred a segment loss. Impairment losses of approximately HK$17,163,000 (2020: HK$89,436,000) (included in other operating expenses) against fixed assets included in FMCG Trading Business segment of approximately HK$2,495,000 (2020: HK$6,576,000), Agri-Products Business segment of approximately HK$Nil (2020: HK$75,673,000) and Logistics Services Business segment of approximately HK$14,668,000 (2020: HK$7,187,000) 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 11.75%, 11.06% and 11.83% (2020: 11.72%, 13.85% and 13.59%) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

17. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
At 1 July 2019	92,381	3,675	96,056
Additions	–	20,720	20,720
Depreciation	(11,806)	(3,391)	(15,197)
Impairment loss (note 12)	–	(2,774)	(2,774)
Exchange differences	(627)	(308)	(935)
At 30 June 2020 and 1 July 2020	79,948	17,922	97,870
Depreciation	(12,281)	(6,385)	(18,666)
Impairment loss (note 12)	(18,986)	(4,808)	(23,794)
Exchange differences	1,707	145	1,852
At 30 June 2021	**50,388**	**6,874**	**57,262**

Lease liabilities of approximately HK$5,497,000 (2020: HK$8,067,000) are recognised with related right-of-use assets of approximately HK$4,578,000 (2020: HK$7,684,000) as at 30 June 2021. The lease agreements do not impose any covenants other than the rental deposits in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2021 HK$'000	2020 HK$'000
Depreciation expenses on right-of-use assets (charged to profit or loss) (note 12)	**14,183**	10,714
Depreciation expenses on right-of-use assets (capitalised as bearer plants)	**466**	466
Depreciation expenses on right-of-use assets (capitalised as biological assets) (note 26)	**4,017**	4,017
Interest expense on lease liabilities (included in cost of sales and finance costs)	**381**	334
Expenses relating to short-term leases (included in selling and distribution expenses and administrative expenses)	**1,223**	7,070

Details of total cash outflow for leases is set out in note 38(b).

For both years, the Group leases offices, warehouses, and farmlands for its operations. Lease contracts are entered into for fixed term of 2 to 20 years (2020: 2 to 20 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group has extension and/or termination options in a number of leases for farmlands and warehouses. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

17. RIGHT-OF-USE ASSETS *(CONTINUED)*

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension option in a lease for warehouse in Beijing or not to exercise the termination option in a number of leases for farmlands in Jiangxi. The potential exposures to these future lease payments for (i) extension options in which the Group is not reasonably certain to exercise and (ii) termination options in which the Group is not reasonably certain not to exercise is summarised below:

	Lease liabilities recognised (discounted)		**Potential future lease payments not included in lease liabilities (undiscounted)**	
	2021	2020	**2021**	2020
	HK$'000	HK'000	**HK$'000**	HK'000
Farmlands — PRC	**–**	–	**16,936**	15,447
Warehouse — PRC	**–**	–	**7,373**	6,725

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option in a lease for warehouse in Beijing, or not to exercise a termination option in a number of leases for farmlands in Jiangxi, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 30 June 2021, there has been no such triggering event.

The Group recorded a decline in revenue and incurred a segment loss. Impairment losses of approximately HK$18,986,000 (2020: HK$2,774,000) (included in other operating expenses) against right-of-use assets included in Agri-Products Business segment of approximately HK$Nil (2020: HK$2,774,000) and Logistics Services Business segment of approximately HK$18,986,000 (2020: HK$Nil) were recognised in profit or loss during the year. The recoverable amount of the relevant assets was determined on the basis of its value in use by using discounted cash flow method. The pre-tax discount rates used were 11.06% (2020: 13.85%) and 11.83% (2020: Nil) respectively.

During the year, the Group ceased to operate the Huidong logistics centre. As a result, an impairment loss of approximately HK$4,808,000 against right-of-use assets included in Agri-Products Business was recognised (included in other operating expenses).

18. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2019	32,939
Additions	27,653
At 30 June 2020 and 1 July 2020	60,592
Additions	26,579
Transfer to fixed assets	(13,869)
At 30 June 2021	**73,302**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

19. BEARER PLANTS

	Fruit trees HK$'000
Infant trees	
Cost	
At 1 July 2019	50,579
Additions	2,559
Transfer to mature trees	(32,628)
At 30 June 2020 and 1 July 2020	20,510
Additions	3,000
At 30 June 2021	23,510
Mature trees	
Cost	
At 1 July 2019	74,022
Transfer from infant trees	32,628
At 30 June 2020, 1 July 2020 and 30 June 2021	106,650
Accumulated depreciation and impairment	
At 1 July 2019	22,617
Charge for the year	4,027
At 30 June 2020 and 1 July 2020	26,644
Charge for the year	4,028
At 30 June 2021	30,672
Total carrying amount	
At 30 June 2021	**99,488**
At 30 June 2020	100,516

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

	2021	2020
Infant trees	**28,600**	28,600
Mature trees	**258,000**	258,000
	286,600	286,600

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For the year ended 30 June 2021

20. GOODWILL

	HK$'000
Cost	
At 1 July 2019, 30 June 2020 and 1 July 2020	303,101
Written off	(158,517)
At 30 June 2021	144,584
Accumulated impairment	
At 1 July 2019, 30 June 2020 and 1 July 2020	284,018
Impairment loss recognised in the year (note 12)	8,519
Written off	(158,517)
At 30 June 2021	134,020
Carrying amount	
At 30 June 2021	**10,564**
At 30 June 2020	19,083

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:

	2021		
	Allocated goodwill HK$'000	**Accumulated impairment HK$'000**	**Net carrying amount HK$'000**
Provision of securities dealing services ("Securities Dealing CGU")	**1,493**	**(1,493)**	**–**
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)**	**–**
Tourist retailing of jewellery products business ("Jewellery CGU")	**19,083**	**(8,519)**	**10,564**
	144,584	**(134,020)**	**10,564**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

20. GOODWILL *(CONTINUED)*

	2020 Allocated goodwill HK$'000	Accumulated impairment HK$'000	Net carrying amount HK$'000
Securities Dealing CGU	1,493	(1,493)	–
Distribution of cosmetic products business ("Cosmetic CGU")	89,472	(89,472)	–
Agri CGU	112,473	(112,473)	–
Logistics CGU	11,535	(11,535)	–
Distribution of cold chain products business ("Cold Chain CGU")	69,045	(69,045)	–
Jewellery CGU	19,083	–	19,083
	303,101	(284,018)	19,083

During the year ended 30 June 2021, management of the Group wrote off the cost of goodwill of approximately HK$89,472,000 and HK$69,045,000 with accumulated impairment loss of approximately HK$89,472,000 and HK$69,045,000 included in Cosmetic CGU and Cold Chain CGU respectively by considering the Group has ceased both CGU's operations.

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

In addition to goodwill, right-of-use assets that generate cash flows together with the related goodwill are also included in the respective CGU for the purpose of impairment assessment.

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 Jewellery CGU, the Group prepares cash flow forecast 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% (2020: 3%). This rate does not exceed the average long-term growth rate for the relevant market.

The pre-tax rate used to discount the forecasted cash flows from the Group's Jewellery CGU is 11.09% (2020: 10.63%).

At 30 June 2021, before impairment testing, goodwill of approximately HK$19,083,000 was allocated to Jewellery CGU. During the year, due to the drastic plunge in the tourism industry from the mainland Chinese visitors in Hong Kong, the Group assessed its cash flows forecast for this CGU and an impairment loss of approximately HK$8,519,000 on goodwill was recognised (included in other operating expenses).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

21. OTHER INTANGIBLE ASSETS

	The Stock Exchange trading right HK$'000	Money lender license HK$'000	Distribution rights HK$'000	Total HK$'000
Cost				
At 1 July 2019	8,300	374	185,687	194,361
Additions	–	–	28,294	28,294
Expiration of distribution rights	–	–	(38,955)	(38,955)
At 30 June 2020 and 1 July 2020	8,300	374	175,026	183,700
Expiration of distribution rights	–	–	(60,512)	(60,512)
At 30 June 2021	8,300	374	114,514	123,188
Accumulated amortisation and impairment				
At 1 July 2019	8,300	–	119,802	128,102
Amortisation for the year (note 12)	–	–	26,137	26,137
Impairment loss for the year (note 12)	–	–	3,900	3,900
Expiration of distribution rights	–	–	(38,955)	(38,955)
At 30 June 2020 and 1 July 2020	8,300	–	110,884	119,184
Amortisation for the year (note 12)	–	–	21,575	21,575
Impairment loss for the year (note 12)	–	–	10,335	10,335
Expiration of distribution rights	–	–	(60,512)	(60,512)
At 30 June 2021	8,300	–	82,282	90,582
Carrying amount				
At 30 June 2021	**–**	**374**	**32,232**	**32,606**
At 30 June 2020	–	374	64,142	64,516

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For the year ended 30 June 2021

21. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Before impairment, the Stock Exchange trading right of approximately HK$8,300,000 (2020: HK$8,300,000) at 30 June 2021 is assessed as having indefinite useful life because there is no time limit that the Group can carry out the dealing in securities activities in the Stock Exchange. The Group's money lender license of approximately HK$374,000 (2020: HK$374,000) at 30 June 2021 is assessed as having indefinite useful life as the future renewal cost to maintain the license is insignificant.

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

The Group acquired rights for distribution of certain packaged food, beverages and fresh fruit products in the PRC. The carrying amount of distribution rights at 30 June 2021 approximates to HK$32,232,000 (2020: HK$64,142,000). The average remaining amortisation period for these distribution rights is 3.5 years (2020: 3.6 years). The amortisation for the year is included in cost of sales of approximately HK$21,575,000 (2020: cost of sales of HK$22,237,000 and selling and distribution expenses of HK$3,900,000). During the year ended 30 June 2021, due to the decline in revenue and loss incurred for the Group's FMCG Trading Business segment, the Group assessed the value in use of the relevant assets based on the cash flows forecast for this segment, and recognised an impairment loss of approximately HK$10,335,000 (2020: HK$3,900,000) on distribution rights for FMCG Trading Business segment in other operating expenses. The pre-tax discount rate used was 11.75% (2020: 11.72%).

22. OTHER ASSETS

	2021 **HK$'000**	2020 HK$'000
Prepayment for logistics license and resources	**10,988**	824
Prepayment for pack houses facilities	**468**	–
Other deposits	**205**	205
	11,661	1,029

During the year ended 30 June 2020, due to the decline in revenue and loss incurred for the Group's Agri-Products Business segment, the Group assessed the value in use of the relevant assets based on the cash flows forecast for this segment, and recognised impairment losses of approximately HK$1,923,000 on prepayment for logistics license and resources and HK$22,932,000 on prepayment for pack houses facilities in other operating expenses. The pre-tax discount rate used was 13.85%.

No impairment was made for the year ended 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

23. INVESTMENT IN A JOINT VENTURE

	2021 **HK$'000**	2020 HK$'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 2021 are as follows:

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

The Group has not recognised profit for the year amounting to approximately HK$2,724,000 (2020: loss of HK$3,145,000) for Waygood. The accumulated losses not recognised were approximately HK$2,294,000 (2020: HK$5,018,000).

24. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2020: HK$108,000) at 30 June 2021 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

25. INVESTMENTS

	2021 **HK$'000**	2020 HK$'000
Non-current assets		
Financial assets at FVTOCI		
— unlisted debt investments in Hong Kong	**25,562**	25,850
Financial assets at FVTPL		
— unlisted debt investments in Hong Kong	**84,986**	–
	110,548	25,850

	2021 **HK$'000**	2020 HK$'000
Current assets		
Financial assets at FVTPL		
— unlisted debt investments in Hong Kong	**–**	181,232
— listed equity securities in Hong Kong	**12,051**	92
	12,051	181,324

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

The fair value of the unlisted debt investments classified as financial assets at FVTOCI was referenced to the valuation performed by BMI Appraisals Limited, a firm of independent professional qualified valuers derived from estimation of the value by using income approach.

The fair value of the unlisted debt investments classified as financial assets at FVTPL was referenced to the valuation performed by BMI Appraisals Limited 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 mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

None of the debt investments is neither past due nor impaired at the end of reporting period.

The financial assets at FVTOCI and FVTPL are denominated in HK$.

At 30 June 2021, the financial assets at FVTPL of approximately HK$136,000 (2020: HK$Nil) have been pledged to a bank to secure the banking facilities granted to the Group (note 39).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

26. BIOLOGICAL ASSETS

	HK$'000
At 1 July 2019	27,443
Increase due to cultivation	39,165
Changes in fair value due to biological transformation (note (a))	(32,684)
Transfer of harvested fresh fruit bunches to inventories	(9,776)
Exchange differences	(200)
At 30 June 2020 and 1 July 2020	23,948
Increase due to cultivation	45,463
Changes in fair value due to biological transformation (note (a))	(38,667)
Transfer of harvested fresh fruit bunches to inventories	(13,073)
Exchange differences	556
At 30 June 2021	**18,227**

Notes:

(a) During the year, the Group harvested approximately 6,708,000 (2020: 5,624,000) 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 2021 and 2020.

(c) The carrying value of biological assets as at 30 June 2021 and 2020 represented cultivation costs incurred including fertilisers, pesticides, labour, depreciation of right-of-use assets, depreciation of fixed assets, depreciation of bearer plants and sub-contracting raising cost.

Included in increase to the Group's biological assets are mainly depreciation of fixed assets, depreciation of bearer plants, depreciation of right-of-use assets and sub-contracting raising cost of approximately HK$22,600,000 (2020: HK$19,138,000), HK$4,028,000 (2020: HK$4,027,000), HK$4,017,000 (2020: HK$4,017,000) and HK$3,394,000 (2020: HK$3,312,000) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

26. BIOLOGICAL ASSETS *(CONTINUED)*

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

	Citrus trees (Chinese Mu)
2021	**5,000**
2020	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:

	2021	2020
Quantity		
Citrus (catty '000)	**6,708**	5,624
	HK$'000	HK$'000
Amount		
Citrus	**13,073**	9,776

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

27. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	**98**	67
Packing materials	**227**	191
Finished goods	**131,255**	122,946
	131,580	123,204

28. TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables arising from		
Trading (note (a))	**273,943**	258,972
Dealing in securities and margin financing		
— Cash clients (note (b))	**7,823**	9,720
— Margin clients (note (c))	**41,418**	–
	323,184	268,692
Impairment loss on trade receivables	**(75,557)**	(62,171)
	247,627	206,521

Notes:

(a) For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 210 days (2020: 30 to 210 days).

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:

	2021 HK$'000	2020 HK$'000
1–30 days	**51,955**	40,318
31–60 days	**35,603**	31,633
61–90 days	**35,302**	24,974
Over 90 days	**95,022**	105,257
	217,882	202,182

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

28. TRADE RECEIVABLES *(CONTINUED)*

Notes: *(Continued)*

(a) At 30 June 2021, trade receivables arising from trading of approximately HK$4,751,000 (2020: HK$32,774,000) 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 settled subsequent to the reporting period. The aging analysis of these trade receivables is as follows:

	2021	2020
	HK$'000	HK$'000
Up to 90 days	**4,751**	32,774
Over 90 days	**–**	–
	4,751	32,774

As at 30 June 2021, trade receivables arising from trading are unsecured and interest-free.

(b) Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$858,000 (2020: HK$1,088,000) 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 2021, cash client receivables of approximately HK$6,965,000 (2020: HK$8,632,000) were past due. These past due cash client receivables were substantially settled after the year end date, except for approximately HK$1,028,000 (2020: HK$3,125,000) 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 cash client receivables arising from dealing in securities.

As at 30 June 2021, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2020: 9.25% per annum).

(c) Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities. The amount of credit facilities granted to the margin clients is determined with reference to the discounted market value of securities accepted by the Group. Margin loans due from margin clients are either current or repayable on demand for those margin clients subject to margin calls. No aging analysis is disclosed as, in the opinion of the directors, aging analysis does not give additional analysis value in view of the nature of these trade receivables from margin clients.

As at 30 June 2021, margin client receivables arising from margin financing are interest-bearing at rates ranging from 6% to 8% per annum (2020: Nil).

As at 30 June 2021, the total market value of securities pledged as collateral in respect the margin loans to customers are approximately HK$80,018,000 (2020: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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

The Group's pledged bank deposits at 30 June 2021 represented deposits pledged to a bank to secure banking facilities granted to the Group (note 39).

At 30 June 2021, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$83,526,000 (2020: HK$150,647,000). 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 2021, the bank and cash balances of the Group included time deposits with original maturity over three months of approximately HK$Nil (2020: HK$11,904,000), 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

	2021 **HK$'000**	2020 HK$'000
Trade payables arising from		
Trading	**66,452**	60,838
Dealing in securities		
— Cash clients	**5,077**	7,456
— Clearing house	**8**	919
	71,537	69,213

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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:

	2021 HK$'000	2020 HK$'000
1–30 days	**39,194**	46,458
31–60 days	**24,549**	14,293
61–90 days	**2,638**	–
Over 90 days	**71**	87
	66,452	60,838

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$4,890,000 (2020: HK$7,457,000).

31. BORROWINGS

	2021 HK$'000	2020 HK$'000
Bank loans, secured (note 39)	**15,710**	20,424

The borrowings are repayable on demand or within one year.

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

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

	2021	2020
Bank loans	**1.84% to 1.95% per annum**	2.19% to 3.63% per annum

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

32. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**2,447**	3,281	**2,360**	3,087
More than one year, but not exceeding two years	**630**	2,373	**615**	2,291
More than two years, but not more than five years	**–**	575	**–**	561
More than five years	**5,783**	5,275	**2,522**	2,128
	8,860	11,504	**5,497**	8,067
Less: Future finance charges	**(3,363)**	(3,437)	**N/A**	N/A
Present value of lease obligations	**5,497**	8,067	**5,497**	8,067
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(2,360)**	(3,087)
Amount due for settlement after 12 months			**3,137**	4,980

The weighted average incremental borrowing rates applied to lease liabilities range from 2.26% to 8.09% (2020: from 2.26% to 8.09%).

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

	2021	2020
	HK$'000	HK$'000
HK$	**1,581**	4,048
RMB	**3,916**	4,019
	5,497	8,067

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

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 2019	8,521	1,287	9,808
Charge to profit or loss for the year (note 11)	285	–	285
Charge to other comprehensive income for the year	339	–	339
Exchange differences	(280)	–	(280)
At 30 June 2020 and 1 July 2020	8,865	1,287	10,152
Charge to profit or loss for the year (note 11)	289	–	289
Charge to other comprehensive income for the year	367	–	367
Exchange differences	882	–	882
At 30 June 2021	**10,403**	**1,287**	**11,690**

Deferred tax assets

	Tax losses HK$'000
At 1 July 2019	3,480
Credit to profit or loss for the year (note 11)	1,545
At 30 June 2020 and 1 July 2020	5,025
Credit to profit or loss for the year (note 11)	2,836
At 30 June 2021	**7,861**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

33. DEFERRED TAX *(CONTINUED)*

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

	2021 **HK$'000**	2020 HK$'000
Right-of-use assets	**25,542**	5,230
Decelerated tax depreciation	**4,089**	3,436
Unused tax losses	**124,673**	90,529
	154,304	99,195

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$41,098,000 (2020: HK$39,274,000) 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 2019, 30 June 2020, 1 July 2020 and 30 June 2021, ordinary shares of HK$0.1 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 1 July 2019, 30 June 2020, 1 July 2020 and 30 June 2021	**1,872,696,182**	**187,270**

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 2021 and 2020.

The only externally imposed capital requirement for the Company to maintain its listing status on 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 2021, over 25% (2020: over 25%) of the shares were in public hands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021	2020
	HK$'000	HK$'000
ASSETS		
Non-current assets		
Fixed assets	**3**	6
Investment in a subsidiary	**1,194,780**	1,247,780
	1,194,783	1,247,786
Current assets		
Prepayment	**39**	31
Due from a subsidiary	**214,229**	447,619
Bank and cash balances	**17,293**	7,932
	231,561	455,582
TOTAL ASSETS	**1,426,344**	1,703,368
EQUITY AND LIABILITIES		
Share capital	**187,270**	187,270
Reserves	**1,237,912**	1,514,913
Total equity	**1,425,182**	1,702,183
Current liabilities		
Accruals and other payables	**1,162**	1,185
TOTAL EQUITY AND LIABILITIES	**1,426,344**	1,703,368

Approved by the Board of Directors on 30 September 2021 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 2021

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 2019	2,438,100	11,612	(907,175)	1,542,537
Loss for the year	–	–	(27,624)	(27,624)
Transfer of reserve upon lapse of share options	–	(11,612)	11,612	–
At 30 June 2020	2,438,100	–	(923,187)	1,514,913
At 1 July 2020	**2,438,100**	**–**	**(923,187)**	**1,514,913**
Loss for the year	**–**	**–**	**(277,001)**	**(277,001)**
At 30 June 2021	**2,438,100**	**–**	**(1,200,188)**	**1,237,912**

(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.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

36. RESERVES *(CONTINUED)*

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

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

(vi) *FVTOCI reserve*
The FVTOCI reserve comprises the cumulative net change in the fair value of FVTOCI 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

(a) Equity-settled share option scheme

The Company operates a share option scheme adopted on 21 December 2018 (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Unless otherwise cancelled or amended, the SO Scheme will remain in force for 10 years from that date. Eligible participants of the SO Scheme include the Company's directors (including non-executive and independent non-executive directors), other employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and other groups or classes of participants as determined by the directors.

As at the date of this report, the total number of shares available for issue under the SO Scheme was 187,269,618 shares, which represented 10% of the issued shares of the Company. The maximum number of shares which may be issued upon exercise of all options to be granted under the SO Scheme is equivalent to 10% of the shares of the Company in issue at the date of approval of the SO Scheme, unless a fresh approval is obtained from the shareholders in general meeting. The maximum number of shares issued and to be issued upon exercise of share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at the time of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

37. SHARE-BASED PAYMENTS *(CONTINUED)*

(a) 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 determined 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 acceptance of the share options.

All share options were lapsed during the year ended 30 June 2020. During the year ended 30 June 2021, no share options were granted, exercised, cancelled nor lapsed and the Company had no share options outstanding under the SO Scheme at 30 June 2021 and 2020.

(b) Equity-settled share award plan

The Company adopted a share award plan on 12 June 2020 (the "SA Plan") for the purpose of recognising and rewarding the contribution of certain eligible participates to the growth and development of the Group, giving incentives to eligible participates in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. Unless termination earlier as determined by the Board, the SA Plan will be valid and effective for a period of 10 years commencing from 12 June 2020.

Eligible participants of the SA Plan include the Company's non-executive directors (including independent non-executive directors), other employees of the Group and consultants of the Group.

The maximum number of shares to be subscribed for and/or purchased by trustee by applying the group contribution for the purpose of the SA Plan shall not exceed 10% of the total number of issued shares as at the adoption date of the SA Plan. The maximum number of shares which may be subject to an award/awards to a selected participant shall not in aggregate exceed 1% of the issued share capital of the Company as at the adoption date of the SA Plan.

The eligible participants are selected and the number of shares to be awarded under the SA Plan is determined by the Board. The shares to be awarded under the SA Plan are set aside from the shares pool by a trustee and the trustee holds the same on trust pending the vesting of the same to the selected participant.

The trustee shall not exercise the voting rights in respect of any shares held on trust for the Group.

No shares were purchased for the SA Plan and no awards have been granted since the adoption of the SA Plan to 30 June 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) 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 2020 HK$'000	Foreign exchange translation HK$'000	Cash flows HK$'000	Interest expenses HK$'000	30 June 2021 HK$'000
Borrowings (note 31)	**20,424**	**–**	**(4,852)**	**138**	**15,710**
Lease liabilities (note 32)	**8,067**	**367**	**(3,251)**	**314**	**5,497**
	28,491	**367**	**(8,103)**	**452**	**21,207**

	1 July 2019 HK$'000	Impact on initial application of HKFRS 16 HK$'000	Restated balance at 1 July 2019 HK$'000	New lease entered HK$'000	Foreign exchange translation HK$'000	Cash flows HK$'000	Interest expenses HK$'000	30 June 2020 HK$'000
Borrowings (note 31)	20,169	–	20,169	–	–	(30)	285	20,424
Lease liabilities (note 32)	–	5,711	5,711	3,870	(152)	(1,618)	256	8,067
	20,169	5,711	25,880	3,870	(152)	(1,648)	541	28,491

(b) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2021 HK$'000	2020 HK$'000
Within operating cash flows	**1,604**	7,404
Within investing cash flows	**–**	10,089
Within financing cash flows	**2,937**	1,362
	4,541	18,855

These amounts relate to the following:

	2021 HK$'000	2020 HK$'000
Lease rental paid	**4,541**	8,766
Payments for right-of-use assets	**–**	10,089
	4,541	18,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

39. BANKING FACILITIES

At 30 June 2021, the Group's banking facilities in respect of term loans and other trade finance facilities were secured by pledged bank deposits (note 29), corporate guarantees executed by the Company and certain subsidiaries of the Company and a charge over the Group's financial assets at FVTPL (note 25). At 30 June 2020, the Group's banking facilities in respect of term loans and other trade finance facilities were secured by pledged bank deposits and corporate guarantees executed by the Company and certain subsidiaries of the Company.

40. CONTINGENT LIABILITIES

At 30 June 2021, the Group did not have any significant contingent liabilities (2020: HK$Nil).

41. CAPITAL COMMITMENTS

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

	2021	2020
	HK$'000	HK$'000
Contracted but not provided for		
— Fixed assets	**7,229**	6,593
— Construction in progress	**23,747**	20,099
	30,976	26,692

42. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for office premises in the PRC. As at 30 June 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 17.

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	2021	2020
	HK$'000	HK$'000
Within one year	**86**	187
In the second year	**–**	10
Total	**86**	197

43. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	2021	2020
	HK$'000	HK$'000
Short-term benefits	**11,357**	11,965
Post-employment benefits	**105**	124
	11,462	12,089

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

44. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2021 are as follows:

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Best Title Global Limited	The British Virgin Islands ("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
Heng Tai Finance Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding and provision of treasury services
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages and household consumable products
Lucky Billion Trading Limited	Hong Kong	Ordinary HK$2	100%	Tourist retailing of jewellery products
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

44. PRINCIPAL SUBSIDIARIES *(CONTINUED)*

Name	Place of incorporation/ registration and operations	Issued/ paid-up capital	Percentage of ownership interest/voting power/profit sharing	Principal activities
Nexus Logistics (International) Limited	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
Sino Wealth Finance Holdings Limited	BVI	Ordinary USD2,000	100%	Investment holding
Sino Wealth Securities Limited	Hong Kong	Ordinary HK$100,000,000	100%	Provision of securities brokerage and margin financing services
Sui Tai & Associates Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding and provision of administrative services
上海士豐實業有限公司*	PRC	USD10,100,000	100%	Owner and operator of Shanghai logistics centre
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.

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 2021, the bank and cash of the Group's subsidiaries in the PRC denominated in RMB amounted to approximately HK$83,526,000 (2020: HK$150,647,000). 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. EVENTS AFTER THE REPORTING PERIOD

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Company is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Company. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impact on the Company's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

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				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss attributable to:					
Owners of the Company	**(247,213)**	(318,339)	(285,081)	(153,475)	(405,546)
Non-controlling interests	**(7)**	(11)	(895)	(3,107)	(11,317)
Loss for the year	**(247,220)**	(318,350)	(285,976)	(156,582)	(416,863)

ASSETS, LIABILITIES AND EQUITY

	At 30 June				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,407,545**	1,630,786	1,981,836	2,286,718	2,621,586
Total liabilities	**(121,681)**	(125,354)	(145,721)	(139,163)	(365,820)
Total non-controlling interests	**15,895**	15,888	15,877	15,865	12,757
Total equity attributable to owners of the Company	**1,301,759**	1,521,320	1,851,992	2,163,420	2,268,523

Note: The results of the Group for the four years ended 30 June 2017, 2018, 2019 and 2020 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 2021 and the assets, liabilities and equity of the Group as at 30 June 2021 are those set out in page 38 and pages 40 to 41 of the consolidated financial statements respectively.