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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2017

The board (the "Board") of directors (the "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2017 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2017

	Note	**2017** *HK$'000*	2016 *HK$'000* (Restated)
Turnover	3	**1,223,941**	1,366,272
Cost of sales		**(1,088,926)**	(1,224,258)
Gross profit		**135,015**	142,014
Changes in fair value due to biological transformation		**(13,792)**	(8,257)
Other gains and income		**10,139**	37,489
Selling and distribution expenses		**(80,497)**	(85,142)
Administrative expenses		**(112,538)**	(103,767)
Other operating expenses		**(390,056)**	(222,647)
Loss from operations		**(451,729)**	(240,310)
Finance costs	5	**(238)**	(515)
Share of loss of a joint venture		**(12,397)**	(8,564)
Gain on disposal of subsidiaries		**48,134**	–
Loss before tax		**(416,230)**	(249,389)
Income tax expense	6	**(633)**	(1,071)
Loss for the year	7	**(416,863)**	(250,460)
Attributable to:			
Owners of the Company		**(405,546)**	(248,731)
Non-controlling interests		**(11,317)**	(1,729)
		(416,863)	(250,460)
			(Restated)
Loss per share	9		
Basic		**HK(30 cents)**	HK(33 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2017

	Note	30 June 2017 HK$'000	30 June 2016 HK$'000 (Restated)	1 July 2015 HK$'000 (Restated)
ASSETS				
Non-current assets				
Fixed assets		**400,922**	650,619	683,149
Prepaid land lease payments		**94,679**	233,703	264,796
Construction in progress		**13,271**	107,045	121,088
Bearer plants		**95,401**	103,820	73,665
Goodwill		**165,388**	69,045	230,627
Other intangible assets		**156,339**	98,066	72,433
Other assets		**43,842**	82,983	125,019
Investment in a joint venture		**16,349**	73,232	–
Investment in a club membership		**108**	108	108
Investments		**21,345**	26,868	243,231
Deferred tax assets		**1,268**	–	–
		1,008,912	1,445,489	1,814,116
Current assets				
Biological assets		**20,419**	10,880	3,716
Inventories		**158,490**	199,478	203,532
Trade receivables	10	**393,050**	431,980	465,919
Prepayments, deposits and other receivables		**186,514**	200,404	228,351
Investments		**12,978**	17,482	390
Pledged bank deposits		**–**	–	28,000
Client trust bank balances		**7,333**	–	–
Bank and cash balances		**833,890**	430,558	348,128
		1,612,674	1,290,782	1,278,036
TOTAL ASSETS		**2,621,586**	2,736,271	3,092,152
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital		**180,070**	90,035	65,545
Reserves		**2,088,453**	2,443,468	2,812,003
		2,268,523	2,533,503	2,877,548
Non-controlling interests		**(12,757)**	(1,434)	574
Total equity		**2,255,766**	2,532,069	2,878,122
Non-current liabilities				
Finance lease payables		**16**	33	49
Deferred tax liabilities		**15,148**	6,523	6,720
		15,164	6,556	6,769
Current liabilities				
Trade payables	11	**115,382**	106,065	120,545
Consideration payable		**152,000**	–	–
Accruals and other payables		**46,962**	24,341	17,068
Borrowings		**33,326**	61,342	64,472
Finance lease payables		**17**	16	22
Current tax liabilities		**2,969**	5,882	5,154
		350,656	197,646	207,261
Total liabilities		**365,820**	204,202	214,030
TOTAL EQUITY AND LIABILITIES		**2,621,586**	2,736,271	3,092,152
Net current assets		**1,262,018**	1,093,136	1,070,775
Total assets less current liabilities		**2,270,930**	2,538,625	2,884,891

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2017

1. 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 of Hong Kong Limited (the "Stock Exchange") and with the applicable disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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

(a) Application of new and revised HKFRSs

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

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

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

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

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

Consolidated statement of profit or loss

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

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

Consolidated statement of financial position

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 July 2016. These new and revised HKFRSs include the following which may be relevant to the Group.

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

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

HKFRS 9 Financial Instruments

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

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

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

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 replaces all existing revenue standards and interpretations.

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

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

1. Identify the contract with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

The standard also includes comprehensive disclosure requirements relating to revenue.

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

HKFRS 16 Leases

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

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

The Group's future minimum lease payments under non-cancellable operating leases for its land and properties amounted to approximately HK$4,414,000 as at 30 June 2017. The Group will need to perform a more detailed assessment in order to determine the new assets and liabilities arising from these operating leases commitments after taking into account the transition reliefs available in HKFRS 16 and the effects of discounting.

3. TURNOVER

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

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

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

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

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

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

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

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

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

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

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

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

Reconciliations of reportable segment loss, assets and liabilities:

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

Geographical information:

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

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

Revenue from major customer:

For the years ended 30 June 2016 and 2017, the turnover from the Group's largest customer accounted for less than 10% of the Group's total turnover and accordingly, no major customer information is presented.

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

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

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

Tax charges on profits assessable elsewhere in other jurisdictions have been calculated at the rates of tax prevailing in the relevant jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

According to the Income Tax Law of the Macau Special Administrative Region, two subsidiaries operating in Macau during the year are in compliance with the Decree-Law No. 58/99/M of Macau Special Administrative Region, and thus, the profits generated by the subsidiaries are exempted from the Macau Complementary Tax. Furthermore, in the opinion of the directors, that portion of the Group's profit is not at present subject to taxation in any other jurisdictions in which the Group operates.

The provision for income tax of subsidiaries operating in the People's Republic of China (the "PRC") have been calculated at the rates of 25% (2016: 25%), based on existing legislation, interpretation and practices in respect thereof.

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

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

7. LOSS FOR THE YEAR

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

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

Included in logistics services income in note 3.

8. DIVIDENDS

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

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$405,546,000 (2016: HK$248,731,000 as restated) and the weighted average number of ordinary shares of the Company of 1,358,168,928 (2016: 761,788,587 as restated) in issue during the year after adjusting the effects of rights issue in January 2017. The basic loss per share for 2016 had been adjusted and restated accordingly.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares for both years ended 30 June 2017 and 30 June 2016.

10. TRADE RECEIVABLES

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

Reconciliation of allowance for trade receivables arising from trading:

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

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

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

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

Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$9,340,000 (2016: Nil) represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the end of the reporting year. Such cash client receivable is considered as past due when the client fails to settle her securities trading balances on the settlement date. At 30 June 2017, cash client receivables of approximately HK$14,348,000 (2016: Nil) were past due but not impaired. These past due cash client receivables were substantially settled after the year ended date. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of these trade receivables arising from dealing in securities.

At 30 June 2017, trade receivables arising from trading of approximately HK$5,932,000 (2016: HK$2,635,000) were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The amounts had been substantially settled subsequent to the reporting period. The aging analysis of these trade receivables is as follows:

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

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

11. TRADE PAYABLES

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

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

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

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

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

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

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

China's economic performance was still sluggish, although some signs of recovery were seen in the second half of the financial year. China's GDP growth reached 6.7% in 2016 and recorded a modest rebound in the first two quarters in 2017 to 6.9%. The retail sales growth continuously lingered around 9%-11% during the financial year, which was still a period of low growth level over the past decade. The Manufacturing Purchasing Managers Index (PMI) was a mix of expansionary and contractionary signs during the financial year under review. Imports to China increased by 11% in July of 2017 from a year earlier, but it was the slowest growth in imports since December 2016, likely due to cooling domestic demand. All of these indicated that the overall economy has been stabilizing at a slow pace but sustainability was weak and the overall operating environment was still challenging and full of uncertainty. Worse still, the increase in Renminbi volatility further impeded the Group's trading business in China.

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

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

FINANCIAL PERFORMANCE

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

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

Selling and distribution expenses decreased by approximately 5.5% from approximately HK$85.1 million to approximately HK$80.5 million, representing approximately 6.6% of total revenue which was fairly stable compared to last year (FY2016: 6.2%). The decrease in selling and distribution expenses was mainly attributable to the Group's cost saving initiatives and decrease in sales activities. During the financial year, the Group reduced various expenses such as staff costs, sales commission and handling fees and hence selling and distribution expenses as a percentage of turnover remained stable although the Group continuously shifted focus to the FMCG Trading Business that would incur higher selling and promotion costs than other business units. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, as well as handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses increased by approximately 8.5% from approximately HK$103.8 million to approximately HK$112.5 million. The increase was mainly attributable to the costs relating to the acquisition of new businesses such as professional fees as well as the recognition of share-based payment expenses in respect of the grant of share options during the financial year. Save for the abovementioned costs, the Group's cost saving initiatives indeed effectively reduced the administrative expenses, especially the downsizing on the farming operations, which had a relatively high portion of fixed administrative costs and many agri-related overheads such as rentals, day-to-day running and staff costs and depreciation expenses were saved.

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

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

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

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

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

BUSINESS REVIEW

FMCG Trading Business

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

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

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

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

This business unit can be classified into five categories including packaged foods, beverages, household consumable products, cold chain products and cosmetics and skincare products with their respective contribution of approximately 72%, 9%, 7%, 10% and 2%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category. The contribution from other categories remained stable except cosmetics for which the Group decided to exit during the financial year. Chinese cosmetics market is arguably the most competitive given the large variety of domestic and international brands, huge advertising spending is thus required to maintain market share. Discontinuing cosmetics trading could save large advertising costs and re-shift focus to packaged foods. Furthermore, the trading business of cold chain products over coming years is expected to be challenging due to the keen competition and the increasingly complicated customs procedures, a certain amount of goodwill relating to cold chain products were impaired to reflect this during the financial year.

Agri-Products Business

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. This business unit generated approximately HK$544.9 million for the FY2017, down approximately 11.2% as compared to approximately HK$613.8 million generated in FY2016. The decrease in revenue was primarily attributable to the weak market demand for imported fruits as a result of the persistent anti-extravagance atmosphere. Furthermore, the unstable supply and the streamlining and consolidation for the Group's logistics operations in southern China also affected the sales volume of imported fruits.

Agri-Products Trading Business

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

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

Upstream Farming Business

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

Logistics Services Business

The Logistics Services Business provides a full range of services to customers including cold-chain facilities, warehousing, food processing production lines for fresh produces, as well as cross-border trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services represented approximately 3% of the Group's total revenue amounted to approximately HK$34.7 million, which was fairly stable compared to last year. The revenue of midstream logistics handling associated with the Group's FMCG Trading Business and the agri-products trading business was broadly in line with the movement of these two business units. As aforesaid, the Group has transferred the food processing, warehouse storage and other third-party logistics operations to the leased storage premise in Zhongshan and the Huidong logistics centre. The transitional works were smooth and the logistics operations in southern China will be under close scrutiny over coming year.

Other Business

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

1) Economic and Financial Market Volatility

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

2) Increasing Market Competition

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

3) Supply Chain Risk

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

4) **Inclement Weather Condition**

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

5) **Financial Risk**

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

KEY RELATIONSHIP

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

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

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

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

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

At 30 June 2017, the Group had interest-bearing borrowings of approximately HK$33.3 million (30 June 2016: HK$61.3 million) of which all borrowings were denominated in Hong Kong dollars and would mature within one year or beyond a year but with a repayment on demand clause. All of the Group's bank borrowings were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company and a charge over the available-for-sale financial assets of a subsidiary in carrying amount of approximately HK$34.1 million (30 June 2016: HK$44.2 million).

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

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

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2017, the Group had approximately 470 employees for its operations in China, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. As at the date of this announcement, a total of 119,620,440 share options remain unexercised.

DEVELOPMENT AND PROSPECTS

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

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

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

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

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2017 (2016: Nil).

CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and complied with all the applicable code provisions of the CG Code throughout the financial year ended 30 June 2017, except with deviations from code provisions A.2.1 and A.6.7.

Under the 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 shareholders as a whole.

Under the code provision A.6.7 of the CG Code, non-executive directors, including independent non-executive directors, among other things, should attend general meetings and develop a balanced understanding of the views of shareholders.

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

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

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

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 2017.

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

Throughout the financial year ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position and the related notes thereto for the financial year ended 30 June 2017 as set out in the this announcement have been reviewed by the Audit Committee and agreed by the Group's external auditor, RSM Hong Kong, whom are of the opinion that such annual results have complied with the applicable accounting standards and the requirements of the Listing Rules and applicable laws, and that adequate disclosures have been made.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is available for viewing on the websites of the Stock Exchange and the Company. The 2017 Annual Report of the Company will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Heng Tai Consumables Group Limited
Lam Kwok Hing
Chairman

Hong Kong, 22 September 2017

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