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 2018

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 2018 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	Note	**2018** *HK$'000*	2017 *HK$'000*
Turnover	*3*	**981,491**	1,223,941
Cost of sales		**(890,237)**	(1,088,926)
Gross profit		**91,254**	135,015
Changes in fair value due to biological transformation		**(10,567)**	(13,792)
Other gains and income		**10,548**	10,139
Selling and distribution expenses		**(70,196)**	(80,497)
Administrative expenses		**(103,892)**	(112,538)
Other operating expenses		**(71,282)**	(390,056)
Loss from operations		**(154,135)**	(451,729)
Finance costs	*5*	**(54)**	(238)
Share of loss of a joint venture		**(2,713)**	(12,397)
(Loss)/gain on disposal of subsidiaries		**(270)**	48,134
Loss before tax		**(157,172)**	(416,230)
Income tax credit/(expense)	*6*	**590**	(633)
Loss for the year	*7*	**(156,582)**	(416,863)
Attributable to:			
Owners of the Company		**(153,475)**	(405,546)
Non-controlling interests		**(3,107)**	(11,317)
		(156,582)	(416,863)
Loss per share	*9*		
Basic		**HK(8 cents)**	HK(30 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018	2017
	HK$'000	*HK$'000*
Loss for the year	**(156,582)**	(416,863)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**2,512**	11
Deferred tax liability on revaluation of buildings	**(628)**	(3)
	1,884	8
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**26,527**	(23,271)
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**–**	(51,375)
Fair value change on available-for-sale financial assets	**(946)**	2,664
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**26**	(2,294)
	25,607	(74,276)
Other comprehensive income for the year, net of tax	**27,491**	(74,268)
Total comprehensive income for the year	**(129,091)**	(491,131)
Attributable to:		
Owners of the Company	**(125,983)**	(479,808)
Non-controlling interests	**(3,108)**	(11,323)
	(129,091)	(491,131)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	**30 June 2018** *HK$'000*	30 June 2017 *HK$'000*
ASSETS			
Non-current assets			
Fixed assets		**361,623**	400,922
Prepaid land lease payments		**84,576**	94,679
Construction in progress		**34,861**	13,271
Bearer plants		**98,690**	95,401
Goodwill		**20,957**	165,388
Other intangible assets		**84,307**	156,339
Other assets		**55,936**	43,842
Investment in a joint venture		**–**	16,349
Investment in a club membership		**108**	108
Investments		**12,688**	21,345
Deferred tax assets		**1,769**	1,268
		755,515	1,008,912
Current assets			
Biological assets		**29,127**	20,419
Inventories		**157,579**	158,490
Trade receivables	10	**347,490**	393,050
Prepayments, deposits and other receivables		**167,027**	186,514
Investments		**21,878**	12,978
Pledged bank deposits		**25,000**	–
Client trust bank balances		**3,932**	7,333
Bank and cash balances		**779,170**	833,890
		1,531,203	1,612,674
TOTAL ASSETS		**2,286,718**	2,621,586

	Note	30 June 2018 HK$'000	30 June 2017 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**187,270**	180,070
Reserves		**1,976,150**	2,088,453
		2,163,420	2,268,523
Non-controlling interests		**(15,865)**	(12,757)
Total equity		**2,147,555**	2,255,766
Non-current liabilities			
Finance lease payables		**–**	16
Deferred tax liabilities		**9,210**	15,148
		9,210	15,164
Current liabilities			
Trade payables	11	**90,953**	115,382
Consideration payable		**–**	152,000
Accruals and other payables		**21,940**	46,962
Borrowings		**16,012**	33,326
Finance lease payables		**16**	17
Current tax liabilities		**1,032**	2,969
		129,953	350,656
Total liabilities		**139,163**	365,820
TOTAL EQUITY AND LIABILITIES		**2,286,718**	2,621,586
Net current assets		**1,401,250**	1,262,018
Total assets less current liabilities		**2,156,765**	2,270,930

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

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 disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

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 2 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.

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 new and revised HKFRSs that are first effective for annual periods beginning on or after 1 July 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(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 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	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. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 31 December 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

The Group does not expect the other new and revised HKFRS that have been issued but are not yet effective would have a material impact on the Group's consolidated financial statements upon their initial application.

HKFRS 9 Financial Instruments
HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 30 June 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

Debt securities currently classified as available-for-sale financial assets will be measured at fair value through other comprehensive income as the Group expects not only to hold these assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis.

Impairment losses on debt securities will be measured applying the general impairment model in HKFRS 9 as described in (b) below and recognised in profit or loss.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses but is unable to quantify the impact as detailed credit analysis is not yet completed.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the timing of revenue recognition is expected to be affected:

Currently, revenue arising from the provision of logistics services is recognised when the service is rendered, whereas revenue from the sales of consumer goods and agri-products is generally recognized when the risks and rewards of ownership have passed to the customers. In addition, commission and brokerage income are recognized when the relevant transactions are executed.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

a) When the customer simultaneously receives and consumes the benefits provided by the entity’s performance, as the entity performs;

b) When the entity’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity’s performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity’s activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from sales of consumer goods, agri-products, logistics services income, commission and brokerage income on securities dealings.

For contracts with customers in which the sales of consumer goods and agri-products is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

HKFRS 16 Leases

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

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

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office premises, storage premises and farmland leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

The Group's future minimum lease payments under non-cancellable operating leases for its office premises, storage premises and farmland amounted to HK$22,180,000 as at 30 June 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

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

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

3. TURNOVER

	2018	2017
	HK$'000	*HK$'000*
Sales of consumer goods	**559,581**	642,755
Sales of agri-products	**390,137**	544,886
Logistics services income	**19,838**	34,666
Revenue from liveshow and merchandising goods	**6,265**	–
Commission and brokerage income on securities dealings	**5,670**	1,634
	981,491	1,223,941

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 and cold chain products ("FMCG Trading Business");

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

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

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business 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 liveshow presentation. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "All other segments" column.

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

Segment profit/loss do not include gain or loss from investments, impairment losses on goodwill and investment in a joint venture, certain finance costs, share of loss of a joint venture, loss/gain on disposal of subsidiaries and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investment in a joint venture, investments, investment in a club membership and certain fixed assets. Segment liabilities do not include borrowings, 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 *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 30 June 2018					
Revenue from external customers	**559,581**	**390,137**	**19,838**	**11,935**	**981,491**
Segment profit/(loss)	**8,077**	**(84,313)**	**2,627**	**(15,889)**	**(89,498)**
Depreciation and amortisation	**28,806**	**26,296**	**11,065**	**6,307**	**72,474**
Other material non-cash items:					
Changes in fair value due to biological transformation	**–**	**10,567**	**–**	**–**	**10,567**
Allowance for trade receivables	**–**	**8,489**	**485**	**1,081**	**10,055**
Additions to segment non-current assets	**5,387**	**22,079**	**3,506**	**6,209**	**37,181**
At 30 June 2018					
Segment assets	**953,185**	**815,798**	**231,701**	**46,128**	**2,046,812**
Segment liabilities	**54,673**	**43,208**	**10,696**	**7,019**	**115,596**

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 30 June 2017					
Revenue from external customers	642,755	544,886	34,666	1,634	1,223,941
Segment profit/(loss)	7,050	(332,248)	1,212	(1,817)	(325,803)
Depreciation and amortisation	21,730	44,469	16,352	1,270	83,821
Other material non-cash items:					
Changes in fair value due to biological transformation	–	13,792	–	–	13,792
Impairment loss 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

Reconciliations of reportable segment loss, assets and liabilities:

	2018	2017
	HK$'000	*HK$'000*
Loss		
Total loss of reportable segments	**(89,498)**	(325,803)
(Loss)/gain on disposal of subsidiaries	**(270)**	48,134
Impairment loss on goodwill	**(19,770)**	(48,100)
Impairment loss on investment in a joint venture	**(13,636)**	(44,486)
Share of loss of a joint venture	**(2,713)**	(12,397)
Unallocated amounts:		
Other corporate expenses	**(30,695)**	(34,211)
Consolidated loss for the year	**(156,582)**	(416,863)
Assets		
Total assets of reportable segments	**2,046,812**	2,317,447
Investment in a joint venture	**–**	16,349
Unallocated amounts:		
Investments	**34,566**	34,323
Other corporate assets	**205,340**	253,467
Consolidated total assets	**2,286,718**	2,621,586
Liabilities		
Total liabilities of reportable segments	**115,596**	167,147
Unallocated amounts:		
Other corporate liabilities	**23,567**	198,673
Consolidated total liabilities	**139,163**	365,820

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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**63,831**	56,090	**10,982**	195,848
PRC except Hong Kong	**917,660**	1,159,695	**705,172**	771,187
Others	**–**	8,156	**11,024**	19,059
Consolidated total	**981,491**	1,223,941	**727,178**	986,094

Revenue from major customer:

For the years ended 30 June 2017 and 2018, 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

	2018	2017
	HK$'000	*HK$'000*
Interest on borrowings	**53**	236
Finance lease charges	**1**	2
	54	238

6. INCOME TAX (CREDIT)/EXPENSE

	2018 *HK$'000*	2017 *HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**467**	762
Over-provision in prior years	**(50)**	(14)
	417	748
Current tax – Overseas		
Provision for the year	**–**	203
Deferred tax	**(1,007)**	(318)
	(590)	633

Hong Kong Profits Tax has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit less allowable losses brought forward for the year ended 30 June 2018.

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 rate of 25% (2017: 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:

	2018				2017			
	Macau	**Hong Kong**	**PRC**	**Total**	Macau	Hong Kong	PRC	Total
	HK$000	***HK$'000***	***HK$000***	***HK$000***	*HK$000*	*HK$'000*	*HK$000*	*HK$000*
Profit/(loss) before tax	**44,043**	**(41,268)**	**(159,947)**	**(157,172)**	76,016	(56,688)	(435,558)	(416,230)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**5,285**	**(6,809)**	**(39,987)**	**(41,511)**	9,122	(9,354)	(108,890)	(109,122)
Tax effect of income not taxable	**–**	**(94)**	**(2,047)**	**(2,141)**	–	(478)	(13,714)	(14,192)
Tax effect of expenses not deductible	**1,045**	**4,681**	**40,209**	**45,935**	–	7,554	119,144	126,698
Profits exempted from the Macau Complementary Tax	**(6,330)**	**–**	**–**	**(6,330)**	(9,122)	–	–	(9,122)
Tax effect of unused tax losses not recognised	**–**	**1,064**	**2,112**	**3,176**	–	661	5,802	6,463
Tax effect of utilisation of tax losses not previously recognised	**–**	**–**	**–**	**–**	–	(82)	–	(82)
Tax effect of unrecognised temporary difference	**–**	**(10)**	**58**	**48**	–	(232)	(1,809)	(2,041)
Tax effect of share of loss of a joint venture	**–**	**448**	**–**	**448**	–	2,045	–	2,045
Over-provision in prior years	**–**	**(50)**	**–**	**(50)**	–	(14)	–	(14)
Tax effect of change of tax rate	**–**	**(165)**	**–**	**(165)**	–	–	–	–
Income tax expense	**–**	**(935)**	**345**	**(590)**	–	100	533	633

7. LOSS FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**33,852**	22,550
Auditors' remuneration		
Statutory audit	**2,492**	2,391
Under-provision in prior year	**–**	16
Non-audit services	**–**	385
	2,492	2,792
Cost of inventories sold	**824,435**	1,037,994
Depreciation, net of amount capitalised	**32,361**	38,803
Exchange loss, net	**6,193**	1,583
Fair value loss on fixed assets	**–**	3,471
Loss on fixed assets disposals	**3**	–
Allowance for trade receivables	**10,055**	418
Allowance for other receivables	**1,654**	4,677
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	**19,770**	48,100
Impairment loss on investment in a joint venture	**13,636**	44,486
Fixed assets written off	**2,817**	51,793
Other receivables written off	**114**	–
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	**26,554**	42,416
Other equity-settled share-based payments	**–**	7,646
Rental income#	**(769)**	(1,593)
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**23,743**	23,458
Retirement benefits scheme contributions	**603**	681
	24,346	24,139

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 2018 (2017: HK$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$153,475,000 (2017: HK$405,546,000) and the weighted average number of ordinary shares of 1,838,175,634 (2017: 1,358,168,928) 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 2018 and 30 June 2017.

10. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables arising from		
Trading	**345,400**	369,780
Dealing in securities		
– Cash clients	**12,463**	23,688
	357,863	393,468
Allowance for doubtful debts	**(10,373)**	(418)
	347,490	393,050

Reconciliation of allowance for trade receivables arising from trading:

	2018	2017
	HK$'000	*HK$'000*
At 1 July	**418**	–
Allowance for the year	**10,055**	418
Reversal for the year	**(119)**	–
Exchange difference	**19**	–
At 30 June	**10,373**	418

For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 150 days (2017: 30 to 150 days).

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

	2018	2017
	HK$'000	*HK$'000*
1 – 30 days	**87,782**	87,716
31 – 60 days	**67,601**	73,432
61 – 90 days	**65,230**	76,122
Over 90 days	**115,495**	132,092
	336,108	369,362

Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$3,801,000 (2017: HK$7,455,000) 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 2018, cash client receivables of approximately HK$8,662,000 (2017: HK$14,348,000) were past due. These past due cash client receivables were substantially settled after the year ended date, except for HK$1,081,000 (2017: HK$Nil) for which allowance for doubtful debts was made during the year. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of these trade receivables arising from dealing in securities.

At 30 June 2018, trade receivables arising from trading of approximately HK$1,212,000 (2017: HK$5,932,000) 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:

	2018	2017
	HK$'000	*HK$'000*
Up to 90 days	**1,212**	4,497
Over 90 days	**–**	1,435
	1,212	5,932

As at 30 June 2018, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2017: 9.25% per annum). Other trade receivables are unsecured and interest-free.

11. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables arising from		
Trading	**85,404**	99,022
Dealing in securities		
– Cash clients	**3,846**	11,498
– Clearing house	**1,703**	4,862
	90,953	115,382

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:

	2018	2017
	HK$'000	*HK$'000*
1 – 30 days	**64,944**	75,831
31 – 60 days	**20,373**	23,062
61 – 90 days	**2**	3
Over 90 days	**85**	126
	85,404	99,022

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$3,932,000 (2017: HK$7,333,000).

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

During the financial year under review, the Group are principally engaged in (i) the trading of packaged foods, beverages, household consumable products and cold chain products (the "FMCG Trading Business"); (ii) the trading of agri-products and the upstream farming business (the "Agri-Products Business"); (iii) the provision of cold chain logistics services and value-added post-harvest food processing (the "Logistics Services Business") and (iv) other businesses primarily arising from the securities brokerage business and the 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 and the operating environment remained challenging during the financial year. On the external front, although China's macro economy stabilized in the first half of the financial year, the threat of a trade war between China and the United States severely affected consumer confidence and economic performance. The retail sales growth was noticeably weaker during the second half of the financial year and recorded growth rate as low as 8.5%, compared to over 10% in the first half. The trade war also increased Renminbi volatility which further impeded the Group's trading business in China. On the other hand, the liquidity conditions in China have been deteriorating concurrently and the Group had to implement conservative approach to cease or reduce business with certain less credible customers, which also decreased the Group's overall turnover. Worse still, the Group's imported products have been facing fierce competition from domestic brands, especially when considering their overwhelming advertisements and promotions. The Group needed to source products more selectively and adopted niche marketing strategy to enhance our competitiveness in order to compete with domestic brands. On the internal front, the Group was in a transitional period and underwent extensive business transformation including withdrawing from its trading business in cosmetics and substantially trimming down cold chain products trading to save substantial advertising and maintenance costs, which resulted in a decrease in the revenue of the FMCG Trading Business.

During the financial year under review, the Group also carefully developed non-trading businesses such as securities brokerage business and intellectual property business with the aim of generating a stable income stream and smoothing out the fluctuations in existing businesses that are highly correlated with the Chinese consumer market. However, there were some obstacles arising from various unfavourable factors. For instance, the first live shows of "Ultraman" held in Macau in August 2017 were severely impacted by Typhoon Hato. Owing to worsening financial viability, the Group decided to dispose of the investment in intellectual property business to increase cash reserves for other future investment opportunities and working capital purposes. Furthermore, the stock market decline in Hong Kong, noticeably during the second half of the financial year, also negatively affected the performance of the securities brokerage business.

Despite the above, there were still some encouraging signs, including newly introduced beverages that boosted the revenue to offset the decrease in cosmetics trading revenue, the gradually rising revenue of the upstream farming business and the relatively stable gross profit margins for the Group's trading businesses. 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 57% of the total revenues (FY2017: 53%). The weak macro economy, fierce competition from domestic brands, rising import costs and Renminbi volatility were four major factors putting downward pressure on the FMCG Trading Business. To counteract these negative factors, the Group adopted various measures such as increasing stickiness of target customers and seeking best discounts from suppliers through bulk-purchase. The revenue of the Agri-Products Business accounted for approximately 40% of the Group's total revenues, compared to 44% a year earlier. The decrease in the revenue of the Agri-Products Business, in particular the agri-products trading business, was primarily attributable to the weak market demand and the operational transition after the disposal of Zhongshan logistics centre. The Logistics Services Business was also affected by the disposal of Zhongshan logistics centre and its contribution slightly decreased from approximately 3% to approximately 2% of the total revenues compared to the last financial year.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$981.5 million as compared to HK$1,223.9 million for FY2017, representing a fall of approximately 19.8%. The decline was mainly attributable to the decrease in the revenues from the agri-product trading business, the FMCG Trading Business and the Logistics Services Business, partly offset by the contributions from the Other Business and the increase in the revenue of the upstream farming business. During the financial year under review, the overall Chinese retail market remained sluggish stemming from the slowdown of economic growth and the worries over the trade war between China and the United States. Following the government's tightening and deleveraging policies and weakening macro economy, some customers might encounter liquidity issues and the Group needed to stop supplying products to the customers with weak creditworthiness. Furthermore, in view of the increasingly intense competition, the Group ceased trading of cosmetics products and substantially trimmed down cold chain products trading during the financial year in order to save considerable amount of selling and distribution expenses. Therefore, the revenue of the trading businesses unavoidably declined compared to that of the last financial year. To mitigate the negative impact from the abovementioned factors, the Group has launched some new products during the financial year, which recorded remarkable growth for beverage revenue. Additionally, the Group transferred existing customers and business to the newly leased processing and storage plant in Zhongshan and Huidong logistics centre during the financial year subsequent to the disposal of Zhongshan logistics centre and the transition had a temporary impact on the agri-product trading business and the Logistics Services Business and thus decreasing the revenues of these two businesses. The revenue contribution of the Other Business accounted for approximately 1% of the total revenue, which primarily represented the revenues deriving from the live shows of “Ultraman” held in Macau in August 2017 and from the commission income of the securities brokerage business.

Gross profit margin decreased from approximately 11.0% to 9.3% compared to FY2017. The decrease was mainly attributable to the negative impact from the first live shows of “Ultraman” held in Macau in August 2017, which was severely impacted by Typhoon Hato and recorded a gross loss and the discontinuation of cosmetics trading which normally provided an above-average gross profit margin. Furthermore, the Group offered promotions and relatively low prices on newly launched products to attract buyers, which also put downward pressure on the overall gross profit margin. However, for the core trading of packaged foods apart from new products, the gross profit margins remained relatively stable, thanks to the Group’s effort to bargain better discounts through negotiation and other means such as bulk purchases to lower cost of sales.

Selling and distribution expenses decreased by approximately 12.8% from approximately HK$80.5 million to approximately HK$70.2 million, representing approximately 7.2% of total revenue which was slightly higher than that of the last financial year (FY2017: 6.6%). The increase in the selling and distribution expenses as a percentage of turnover was mainly attributable to the expenses of approximately HK$3.2 million incurred for the first live shows of “Ultraman”. The percentage would be fairly stable compared to the last financial year if such expenses relating to “Ultraman” live shows are excluded, 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 decreased by approximately 7.7% from approximately HK$112.5 million to approximately HK$103.9 million. The decrease was mainly attributable to the various cost saving initiatives, and if the administrative expenses for those new businesses in relation to securities brokerage and the “Ultraman” intellectual property which were acquired in 2017 were disregarded, the administrative expenses would have further decreased by 14.7% compared to that of the last financial year despite the upward pressure on wages and rentals.

Other gains and income remained stable at approximately HK$10.5 million (FY2017: HK$10.1 million). The decrease in gain on disposal of subsidiaries was mainly attributable to the gain on disposal of Zhongshan logistics centre of approximately HK$48.1 million in the last financial year whereas there was no such gain in the financial year under review.

Other operating expenses decreased from approximately HK$390.1 million to approximately HK$71.3 million. The expenses mainly represented provisions for trade and other receivables of approximately HK$11.7 million, impairment losses of goodwill and investment in a joint venture of approximately HK$19.8 million and approximately HK$13.6 million respectively and one-off repair and maintenance costs of approximately HK$16.5 million for infrastructure.

Finance costs for the financial year was approximately HK$0.05 million (FY2017: HK$0.2 million).

During the financial year under review, the Group recorded share of results of a joint venture of approximately HK$2.7 million (FY2017: HK$12.4 million), which represented the share of net loss of Waygood Investment Development Limited ("Waygood"), which indirectly owns Tsim Sha Tsui East-based department store, Tycoon City, under equity accounting treatment. The decrease in the share of net loss was primarily attributable to the recovering Hong Kong retail market during the financial year.

Net loss for the year ended 30 June 2018 was approximately HK$156.6 million (FY2017: HK$416.9 million). The decrease in the net loss was mainly attributable to a combination of approximately HK$318.8 million decrease in other operating expenses, approximately 12.8% decrease in selling and distribution expenses, approximately 7.7% decrease in administrative expenses and approximately HK$9.7 million decrease in share of loss of Waygood and offset by approximately 19.8% decrease in turnover, approximately 1.7% decrease in gross profit margin, and approximately HK$48.1 million decrease in gain on disposal of subsidiaries.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells finished FMCG and cold chain products into the domestic Chinese market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported primarily from Australasia, Europe, the Americas and South East Asia. The FMCG Trading Business contributed approximately HK$559.6 million in revenues to the Group for FY2018, decreased by 12.9% from that contributed in FY2017. The decrease in revenues was primarily attributable to the persistently weak market demand, in particular the occurrence of the trade war between China and the United States which largely affected consumer confidence and led to worries about economic slowdown in China. During the second half of the financial year under review, the liquidity conditions in China and the Renminbi volatility have also been deteriorating noticeably, these significantly worsened the overall operating environment which could be reflected by the retail growth figures continuously dropping to 8-9%. In the meantime, the Group's imported products have been facing fierce competition from domestic brands, particularly taking into account of their price advantage and overwhelming advertisements and promotions. The Group basically adopted stable pricing strategies and did not engage in price competition in order to maintain stable profit margins. However, considering the overall weak market demand, the Group increased promotions for certain products, especially for the newly launched products to attract brand awareness. The decrease in revenues was also partly caused by the cessation of cosmetics trading business and the trimming down in cold-chain product trading. For the investment in Waygood which has been operating Tsim Sha Tsui East-based department store, Tycoon City, the share of the loss has been trimmed down significantly due to the rebound of tourist numbers, but the average spending per tourist was still weak. Notwithstanding the above, the Group's commitment in strengthening this business unit remained unchanged. The Group continuously expands product portfolio in terms of geographic coverage and product categories and strengthens sales channels including on-premises and online platforms. The disposal of Zhongshan logistics centre also accelerated the Group's efforts to streamline distribution process for the imported products during the financial year under review.

The gross profit margin of the FMCG Trading Business decreased to approximately 8.6% from approximately 9.5% compared to the last financial year. As aforesaid, the Group increased promotions for some newly launched products. Although their gross profit margin was lower than other products, the promotions effectively increased brand awareness and boosted the sales on their debut. Furthermore, the discontinuation of cosmetics trading which normally provided an above-average gross profit margin also caused downward pressure on gross profit margins. The Group strived to maintain stable margins through adopting flexible pricing strategies, proper hedging arrangement and bulk purchases for better discounts. The Group will continue to strengthen the relationship and collaboration with the suppliers facing a macro environment fraught with uncertainties, in particular considering the increased volatility in different currencies and import costs making much more difficult in maintaining stable gross profit margins.

This business unit can be classified into four categories including packaged foods, beverages, household consumable products and cold chain products with their respective contribution of approximately 75%, 16%, 5%, and 4%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category, followed by beverage products. The Group pulled out from cosmetics trading to save advertising spending in the last financial year because the Chinese cosmetics market is arguably the most competitive given the large variety of domestic and international brands. Furthermore, the Group also trimmed down the trading business of cold chain products due to the increasingly complicated customs procedures, high maintenance costs and the disposal of Zhongshan logistics centre. By contrast, the Group proactively sourced niche products for packaged foods and beverages to offset the impact of the decrease in the revenues of the cosmetics and cold-chain products trading businesses. For instance, the beverage revenue remarkably increased due to the introduction of new products. The Group will continue to expand product portfolio and introduce high quality products to maintain its competitiveness.

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$390.1 million for the FY2018, down approximately 28.4% as compared to HK$544.9 million generated in FY2017. The decrease in revenue was primarily attributable to the decline in the revenue contribution from agri-products trading business. The competition for the imported fresh produce market remained fierce due to rising import costs and weak demand stemming from weak consumer confidence and anti-extravagance atmosphere. On the other hand, the upstream farming business recorded an encouraging revenue growth due to the distribution network expansion.

Agri-Products Trading Business

Due to the escalating trade tensions between China and the United States and worsening prospects in some emerging market economies, consumer confidence was severely affected. The Chinese imported fruit market was highly correlated with macroeconomic conditions and consumer confidence, coupled with the persistent anti-extravagance atmosphere, the operating environment of the agri-products trading business was sluggish for the financial year under review. On the other hand, the unexpectedly unstable and inclement weather in some countries of origin of the Group's imported fruits and the increasingly stringent customs formalities also affected the stability of product supply and increased the cost of sales. Correspondingly, the Group has been expanding trading business for domestic fresh produce as a supplementary business with steady revenue growth and higher gross profit margins. The Group will continue to develop its domestic fresh produce business by leveraging on the well-established distribution networks.

Furthermore, the transitional works for the transfer of operations from Zhongshan logistics centre to the new processing and storage plants also temporarily affected the Group's agri-products trading business, but the impact has been diminishing gradually after the Group's considerable effort in liaising with different business partners and in streamlining logistics and operation workflows in Southern China region.

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 upstream farming business has been contributing stable revenue on the back of the more and more sophisticated and efficient operations and sales network being established over past few years. This business unit recorded a double digit revenue growth for the financial year under review, although the Group had already reduced its capital expenditure substantially. The Group will strive to strengthen its performance by expanding distribution channels and improving agricultural skills and technology. Inclement weather, rising labour costs, weak market demand and declining selling price remained as the major downside risks for this business unit. To diversify its operational risks and better utilize the Group's arable lands in Jiangxi, the Group has developed plans to exploit the certain arable lands open for public to develop agri-tourism including pick-your-own farm. The Group also developed plans to set up food processing centre for the Group's citrus products, exhibition hall and restaurant etc, to create business synergy with its existing farming business and agri-tourism business. The Group will continue to proactively negotiate with the domestic government and business partners to accelerate the development of the agri-tourism and processing business.

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 2% of the Group's total revenue amounted to approximately HK$19.8 million, decreased by approximately 42.8% compared to the last financial year. The decline in the revenue of the Logistics Services Business was primarily attributable to the decline in the business volume of the Group's trading business, and partly to the disposal of Zhongshan logistics centre which mainly affected third party logistics income. The Group has already transferred most of logistics functions to the new processing and storage plants and will closely monitor the operation to ensure customers receive good service level.

Other Business

On 10 March 2017, the Group completed the acquisition of 100% interest in Sino Wealth Securities Limited ("Sino Wealth") which is principally engaged in securities brokerage business. During the financial year under review, the securities brokerage business contributed stable revenue, but the business environment substantially worsened during the second half of the financial year caused by the global trade war and the resultant weak performance of the capital market in Hong Kong. On 11 January 2017, the Company issued new ordinary shares on the basis of one rights share for every one share held to the shareholders of the Company through a rights issue. The net proceeds of the right issue were approximately HK$207.3 million and were intended to inject into the securities brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business. Out of the net proceeds, HK$20 million has been used as intended as at the date of this announcement. In view of the abruptly deteriorating market conditions, the Group has resolved to adopt a more conservative approach and extend the expected time for utilisation of the remaining proceeds from the rights issue from within 12 months to within 24 months from the date of completion of the acquisition of Sino Wealth, i.e. by 10 March 2019, to give the flexibility of the Group to implement the expansion plans if suitable opportunity arises.

The Group held 100% interest in Moon Concept Limited ("Moon Concept") which is principally engaged in organising concert scaled live show presentation in event halls with the rights to use the intellectual properties of the famous Japanese comic character "Ultraman" in the region of Hong Kong, Macau and Taiwan. The first "Ultraman" live shows, which were held in Macau in August 2017, were severely impacted by Typhoon Hato and the performance period of the live shows held in Macau had been shortened and early terminated. As a result, Moon Concept recorded a loss of approximately HK$8.7 million in addition to approximately HK$5.2 million amortization of license rights during the financial year under review. Owing to worsening financial viability, the Group decided to dispose of the investment in Moon Concept to increase cash reserves for other future investment opportunities and working capital purposes. On 11 December 2017, the Group entered into a disposal agreement to sell 100% interest in the subsidiary which held Moon Concept to an independent third party. As a result of the disposal, there was a disposal loss of approximately HK$0.3 million and hence the goodwill and other intangible assets as stated in the consolidated statement of financial position as at 30 June 2018 were substantially reduced by approximately HK$124.7 million and HK$38.2 million respectively. The net proceeds of HK$150 million from the disposal were intended to finance other future investment opportunities and/or as general working capital.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1). Economic and Financial Market Volatility

The Group's trading businesses and the relevant logistics business are impacted by fluctuations in the global economy and financial market, particularly those in China. The decline in Chinese economic growth inevitably affected the level of disposable income and consumer confidence, and hence weighing on the demand on the Group's products and revenues. Therefore, if there is any significant financial volatility and economic setback, the Group's operations and financial performance may be adversely affected. The economic risks may result in financial market turbulence and market disruption, which may severely affect the operation of the securities brokerage 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 assure to maintain existing client base or not to engage in price competition.

3). Rise of Global Protectionism

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.

4). Supply Chain Risk

The Group sources products from a number of overseas suppliers. The cooperation is based on well-entrenched relationships 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 conditions. Inclement weather conditions will inevitably damage the level of crop productivity and thus the revenue of the upstream farming business. Furthermore, the climate conditions of the areas where the suppliers for the Group's agri-products trading business are located could also severely affect the stability of product supply.

6). **Financial Risk**

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group devotes much attention to environmental protection and is committed to promoting environment-friendly behaviours in the course of its 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 FY2018, 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 is 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 FY2018, 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 and banking facilities during the year.

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

At 30 June 2018, the Group had interest-bearing borrowings of approximately HK$16.0 million (30 June 2017: HK$33.3 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 were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company, a charge over the available-for-sale financial assets and financial assets at fair value through profit or loss of a subsidiary in carrying amount of approximately HK$26.2 million (30 June 2017: HK$34.1 million) and HK$8.2 million (30 June 2017: HK$Nil) respectively and pledged bank deposits of HK$25.0 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, and the Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 30 June 2018, the Group did not have any significant hedging instrument outstanding.

At 30 June 2018, the Group's current assets amounted to approximately HK$1,531.2 million (30 June 2017: HK$1,612.7 million) and the Group's current liabilities amounted to approximately HK$130.0 million (30 June 2017: HK$350.7 million). The Group's current ratio maintained to a level of approximately 11.8 at 30 June 2018 (30 June 2017: 4.6). At 30 June 2018, the Group had total assets of approximately HK$2,286.7 million (30 June 2017: HK$2,621.6 million) and total liabilities of approximately HK$139.2 million (30 June 2017: HK$365.8 million) with a gearing ratio of approximately 0.7% (30 June 2017: 1.3%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets and remained at a fairly low level as at 30 June 2018 and 2017.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2018, the Group had approximately 450 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 45,968,000 share options remain unexercised.

DEVELOPMENT AND PROSPECTS

The operating environment was still very challenging during the financial year, especially the outbreak of the trade war between China and the United States, which cast a significant negative outlook and uncertainty over China's economic growth. The Group's traditional trading business has been facing rising political risks and protectionism which may increase imported costs and severely affect consumer confidence.

The Group has attempted to diversify its business by investing in the intellectual property business and the securities brokerage business. As mentioned above, some negative and unexpected events hindered the development of these two businesses. The Group has disposed of Moon Concept and its intellectual properties considering its worsening financial viability during the financial year. On the other hand, the abrupt deterioration in investor confidence and market sentiment for the global financial market also severely affected the securities brokerage business and the Group has decelerated its development plan. However, the Group believes the diversification of business can effectively reduce the concentration risk, especially when the outlook for China's consumer market is highly uncertain. Therefore, the Group will continue to seek other investment opportunities with the aim of generating stable revenue and cash flow.

For the traditional trading businesses including the FMCG Trading Business and the agri-products trading business, the Group will continue to improve their operations by reinforcing procurement and distribution networks. After withdrawing from the Chinese cosmetics and trimming down trading in cold-chain product markets, the Group put an emphasis on sourcing different kinds of packaged foods and beverage products to leverage on the existing well-established distribution networks. For the upstream farming business, the sales performance has been improving because of the enhancement of its operational efficiency and the expansion of distribution networks. The Group's next plan is to develop an agri-tourism zone comprising recreational and food processing facilities, on which the Group's self-grown fruits can be promoted. The planned agri-tourism zone is close to various most popular and famous attractions in Jiangxi and the Group is proactively negotiating with the local government and business partners to accelerate the project and enhance connectivity between the planned site and other sightseeing spots and logistics hubs.

The financial results were hindered by the deteriorating macro environment and some non-recurring items in relation to the business transformation. The Group will strive to broaden revenue stream and maintain stable profit margins to improve the financial performance. Meanwhile, the Group will continue to implement stringent cost saving initiatives to minimize the operating expenses and remain cautious on capital spending, which have already decreased significantly over the past few years. As there are still many uncertainties ahead for the global economy, the Group will keep working hard to maintain a healthy and strong financial position to weather any unexpected headwinds.

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2018 (2017: 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 2018, except with deviation from code provision A.2.1.

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Since March 2012, the Board has appointed Mr. Lam Kwok Hing ("Mr. Lam") as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operations. As a result of the appointment, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is the co-founder of the Group and has over 30 years' experience in the consumer products industry. In the context of the challenging business environment, the Board believes that a consistent leadership, effective and efficient planning and implementation of business decisions and strategies are of utmost importance. By virtue of Mr. Lam's in-depth experience and understanding of the Group, therefore, vesting the roles of Chairman and Chief Executive Officer on Mr. Lam can generate benefits for the Group and shareholders as a whole.

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 2018.

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

Throughout the financial year ended 30 June 2018, 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 financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2018 as set out in the preliminary announcement have been reviewed by the Audit Committee and agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

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 2018 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, 28 September 2018

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.