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 2019

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 2019 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**840,732**	981,491
Cost of sales		**(768,631)**	(890,237)
Gross profit		**72,101**	91,254
Changes in fair value due to biological transformation		**(19,420)**	(10,567)
Other gains and income		**17,840**	10,548
Selling and distribution expenses		**(68,704)**	(70,196)
Administrative expenses		**(95,038)**	(103,892)
Impairment loss on trade receivables, deposits and other receivables		**(20,587)**	(11,709)
Other operating expenses		**(173,204)**	(59,573)
Loss from operations		**(287,012)**	(154,135)
Finance costs	*5*	**(71)**	(54)
Share of loss of a joint venture		**–**	(2,713)
Gain/(loss) on disposal of subsidiaries		**59**	(270)
Loss before tax		**(287,024)**	(157,172)
Income tax credit	*6*	**1,048**	590
Loss for the year	*7*	**(285,976)**	(156,582)
Attributable to:			
Owners of the Company		**(285,081)**	(153,475)
Non-controlling interests		**(895)**	(3,107)
		(285,976)	(156,582)
Loss per share	*9*		
Basic		**HK(15 cents)**	HK(8 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2019

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

	Note	**2019** **HK$'000**	2018 HK$'000
ASSETS			
Non-current assets			
Fixed assets		**364,948**	361,623
Prepaid land lease payments		**90,345**	84,576
Construction in progress		**32,939**	34,861
Bearer plants		**101,984**	98,690
Goodwill		**19,083**	20,957
Other intangible assets		**66,259**	84,307
Other assets		**3,215**	55,936
Investment in a joint venture		**–**	–
Investment in a club membership		**108**	108
Investments		**191,486**	12,688
Deferred tax assets		**3,480**	1,769
		873,847	755,515
Current assets			
Biological assets		**27,443**	29,127
Inventories		**144,591**	157,579
Trade receivables	*10*	**317,238**	347,490
Prepayments, deposits and other receivables		**141,713**	167,027
Investments		**7,456**	21,878
Pledged bank deposits		**–**	25,000
Client trust bank balances		**6,306**	3,932
Bank and cash balances		**463,242**	779,170
		1,107,989	1,531,203
TOTAL ASSETS		**1,981,836**	2,286,718

	Note	2019 HK$'000	2018 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**187,270**	187,270
Reserves		**1,664,722**	1,976,150
		1,851,992	2,163,420
Non-controlling interests		**(15,877)**	(15,865)
Total equity		**1,836,115**	2,147,555
Non-current liabilities			
Deferred tax liabilities		**9,808**	9,210
Current liabilities			
Trade payables	*11*	**83,855**	90,953
Accruals and other payables		**31,149**	21,940
Borrowings		**20,169**	16,012
Finance lease payables		**–**	16
Current tax liabilities		**740**	1,032
		135,913	129,953
Total liabilities		**145,721**	139,163
TOTAL EQUITY AND LIABILITIES		**1,981,836**	2,286,718
Net current assets		**972,076**	1,401,250
Total assets less current liabilities		**1,845,923**	2,156,765

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2019

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).

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 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

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

HKFRS 9 Financial instruments

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

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

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

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

(a) *Classification*

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

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

- those to be measured at amortised cost.

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

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

(b) *Measurement*

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

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

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

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

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

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

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

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

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

(c) Impairment

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

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

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

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

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

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

Financial assets	*Note*	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** *HK$'000*	**Carrying amount under HKFRS 9** *HK$'000*
Debt securities	*(a)*	Available-for-sale	FVTOCI	26,240	26,173
Equity securities	*(b)*	FVTPL	FVTPL	8,326	8,326
Trade receivables	*(c)*	Loans and receivables	Amortised cost	347,490	343,446
Deposits and other receivables	*(d)*	Loans and receivables	Amortised cost	143,641	142,828
Pledged bank deposits		Loans and receivables	Amortised cost	25,000	25,000
Client trust bank balances		Loans and receivables	Amortised cost	3,932	3,932
Bank and cash balances		Loans and receivables	Amortised cost	779,170	779,170

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

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

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

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

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

Note:

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

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

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

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

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

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

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

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

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

Logistics services income is recognised when the services are rendered.

The Group acquired Lucky Billion Trading Limited ("Lucky Billion") on 2 May 2019. The operation was expanded into tourist retailing of jewellery products since then.

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

The Group operates a tourist retailing store selling jewellery products. Revenue from the sale of goods is recognised when the Group sells a product to the customers.

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

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

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

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 July 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvements to HKFRSs 2015 –2017 Cycle	1 January 2019
Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 31 December 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

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

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

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

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

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

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

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

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

3. REVENUE

Disaggregation of revenue

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

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

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

For the year ended 30 June 2019

	Consumer goods *HK$'000*	Agri-products *HK$'000*	Logistics services *HK$'000*	Tourist retailing *HK$'000*	Securities dealing services *HK$'000*	Liveshow and merchan-dising goods *HK$'000*	Others *HK$'000*	Total *HK$'000*
Primary geographical markets								
Hong Kong	**–**	**59,257**	**–**	**2,913**	**2,503**	**–**	**–**	**64,673**
People's Republic of China (the "PRC") except Hong Kong	**494,973**	**265,502**	**15,340**	**–**	**–**	**–**	**244**	**776,059**
Revenue from external customers	**494,973**	**324,759**	**15,340**	**2,913**	**2,503**	**–**	**244**	**840,732**
Timing of revenue recognition								
Products transferred at a point in time	**494,973**	**324,759**	**15,340**	**2,913**	**2,503**	**–**	**–**	**840,488**
Products and services transferred over time	**–**	**–**	**–**	**–**	**–**	**–**	**244**	**244**
Total	**494,973**	**324,759**	**15,340**	**2,913**	**2,503**	**–**	**244**	**840,732**

For the year ended 30 June 2018

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

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 requires different technology and marketing strategies.

The Group's other operating segments include the provision of securities dealing services, sub-licensing of trademarks, tourist retailing of jewellery products and organisation of concert scaled liveshow presentation. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "All other segments" column.

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

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/loss on disposal of subsidiaries and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investment in a joint venture, investments, investment in a club membership and certain fixed assets. Segment liabilities do not include borrowings and certain accruals and other payables.

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

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

	FMCG Trading Business *HK$'000*	Agri–Products Business *HK$'000*	Logistics Services Business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 30 June 2019					
Revenue from external customers	**494,973**	**324,759**	**15,340**	**5,660**	**840,732**
Segment loss	**(45,277)**	**(124,575)**	**(45,843)**	**(22,693)**	**(238,388)**
Depreciation and amortisation	**29,309**	**29,114**	**9,758**	**575**	**68,756**
Income tax (expense)/credit	**–**	**(440)**	**(158)**	**1,804**	**1,206**
Other material non-cash items:					
Changes in fair value due to biological transformation	**–**	**19,420**	**–**	**–**	**19,420**
Impairment loss on trade receivables, prepayments and other receivables	**–**	**28,932**	**–**	**3,151**	**32,083**
Impairment loss on deposits	**–**	**10,540**	**–**	**–**	**10,540**
Impairment loss on fixed assets	**38,717**	**8,043**	**42,451**	**–**	**89,211**
Impairment loss on other intangible assets	**–**	**20,475**	**–**	**8,300**	**28,775**
Additions to segment non-current assets	**73,575**	**95,670**	**34,155**	**88**	**203,488**
At 30 June 2019					
Segment assets	**727,481**	**732,011**	**170,730**	**52,586**	**1,682,808**
Segment liabilities	**56,456**	**30,484**	**9,218**	**11,482**	**107,640**

	FMCG Trading Business *HK$'000*	Agri– Products Business *HK$'000*	Logistics Services Business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 30 June 2018					
Revenue from external customers	559,581	390,137	19,838	11,935	981,491
Segment profit/(loss)	8,077	(84,313)	2,627	(15,889)	(89,498)
Depreciation and amortisation	28,806	26,296	11,065	6,307	72,474
Income tax (expense)/credit	–	(417)	(173)	1,353	763
Other material non-cash items:					
Changes in fair value due to biological transformation	–	10,567	–	–	10,567
Impairment loss 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

Reconciliations of reportable segment loss, assets and liabilities:

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

Geographical information:

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

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

Revenue from major customer:

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

5. FINANCE COSTS

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

6. INCOME TAX CREDIT

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

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

On 21 March 2018, the Inland Revenue (Amendment) (No. 7) Bill 2017, which introduces a two-tiered profits tax regime, was substantively enacted. Under the two-tiered profits tax regime, the first HK$2 million of assessable profits of qualifying corporations will be taxed at 8.25% with effect from the year of assessment 2018/2019. Profits above HK$2 million will continue to be subject to the tax rate of 16.5%.

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

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

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2018: 25%), based on existing legislation, interpretation and practices in respect thereof.

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

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

7. LOSS FOR THE YEAR

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

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

Included in logistics services income in note 3.

8. DIVIDENDS

The Board does not recommend the payment of final dividend in respect of the year ended 30 June 2019 (2018: 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$285,081,000 (2018: HK$153,475,000) and the weighted average number of ordinary shares of 1,872,696,182 (2018: 1,838,175,634) in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares for both years ended 30 June 2019 and 30 June 2018.

10. TRADE RECEIVABLES

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

Reconciliation of impairment loss on trade receivables:

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

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

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

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

Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$3,626,000 (2018: HK$3,801,000) represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the end of the reporting year. Such cash client receivable is considered as past due when the client fails to settle its securities trading balances on the settlement date. At 30 June 2019, cash client receivables of approximately HK$6,867,000 (2018: HK$8,662,000) were past due. These past due cash client receivables were substantially settled after the year end date, except for HK$3,151,000 (2018: HK$1,081,000) for which impairment loss was recognised during the year. No aging analysis is disclosed as, in the opinion of the Directors, an aging analysis does not give additional value in view of the nature of these trade receivables arising from dealing in securities.

At 30 June 2019, trade receivables arising from trading of approximately HK$2,463,000 (2018: HK$1,212,000) were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The amounts had been substantially settled subsequent to the reporting period. The aging analysis of these trade receivables is as follows:

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

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

11. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables arising from		
Trading	**76,805**	85,404
Dealing in securities		
– Cash clients	**6,857**	3,846
– Clearing house	**193**	1,703
	83,855	90,953

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

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

	2019	2018
	HK$'000	*HK$'000*
1 – 30 days	**60,362**	64,944
31 – 60 days	**16,356**	20,373
61 – 90 days	**–**	2
Over 90 days	**87**	85
	76,805	85,404

Trade payables to cash clients arising from dealing in securities also include those payables where the corresponding clients' monies are placed in trust and segregated accounts with authorised financial institutions of approximately HK$6,306,000 (2018: HK$3,932,000).

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

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

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

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

During the financial year under review, the Group completed the acquisition of 70% interest in Richic Mind Limited, which is principally engaged in the sub-licensing of the "Gulf" trademarks to oil petrol stations in China in return for royalty payments. The oil retail sector in China was also adversely affected by the slowdown of the global economy, the international crude oil prices fluctuated with an upward trend first, and then slid rapidly during the first half of 2019. The operations of oil petrol stations, in particular private-owned stations, were confronted with strong market competition in the midst of the sluggish economy. The Group was required to invest considerable amount of advertising spending to increase brand awareness and market share. In view of the weak market demand and intense competition, the Group adopted a more conservative approach and divested its operations in the trademark sub-licensing in petrol business to avert future capital commitment.

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

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

FINANCIAL PERFORMANCE

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

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

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

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

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

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

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

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

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

Business Review

FMCG Trading Business

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

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

This business unit can be classified into four categories including packaged foods, beverages, household consumable products and cold chain products with their respective contribution of approximately 78%, 15%, 4%, and 3%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category, followed by beverage products. The contribution of packaged foods increased from approximately 75% to approximately 78% because the Group trimmed down its trading in cold chain products trading business and more resources were deployed for its development in packaged foods to offset the decrease in the revenue from cold chain products.

Agri-Products Business

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

Agri-Products Trading Business

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

Upstream Farming Business

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

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

Logistics Services Business

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

Other Business

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

During the financial year under review, the Group completed the acquisition of 70% interest in Richic Mind Limited, which is principally engaged in the sub-licensing of the "Gulf" trademarks to oil petrol stations in China in return for royalty payments. The private oil retail sector is a fragmented market facing fierce competition from state-owned oil retailers in China, especially under a difficult economic environment. The Group was required to invest considerable amount of advertising spending to promote the brand name. However, the tough external operating environment impeded the development of this business unit and the royalty revenue was less than expected. In view of possible future capital commitment and economic uncertainties ahead, the Group decided to dispose the investment in Richic Mind Limited. The disposal did not have any material impact on the financial statements.

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

1) Economic and Financial Market Volatility

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

2) Increasing Market Competition

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

3) **Increasing Political Risks**

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

4) **Supply Chain Risk**

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

5) **Inclement Weather Condition**

The Group's upstream farming business is highly dependent on the weather condition. Inclement weather condition will inevitably damage the level of crop productivity and thus the revenue of the upstream farming business. Furthermore, the climate conditions of the areas where the suppliers for the Group's agri-products trading business are located could also severely affect the stability of product supply.

6) **Financial Risk**

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

KEY RELATIONSHIP

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

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

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

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

During FY2019, there was no material and significant dispute between the Group and its employees, suppliers and customers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

On 11 January 2017, the Company raised from a rights issue for the net proceeds of approximately HK$207.3 million, which were intended to inject into the securities brokerage business. Out of the net proceeds, HK$20 million has been used as intended as at the date of this announcement. In view of the abruptly deteriorating market conditions, the Group has proposed to change the use of the remaining proceeds to finance a possible acquisition of a target company, which is principally engaged in retail of luxury goods and chocolates and provision of meal services in a retail store located in Hong Kong. If the possible acquisition is not materialised, then the entirety of the unused proceeds, as the case may be, shall continue its original intended use and be further extended to 10 March 2020.

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

A significant portion of sales, purchases, service income and bank and cash equivalents of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. During the financial year under review, the Group experienced a high volatility in Renminbi, and the Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 30 June 2019, the Group did not have any significant hedging instrument outstanding.

At 30 June 2019, the Group's current assets amounted to approximately HK$1,108.0 million (30 June 2018: HK$1,531.2 million) and the Group's current liabilities amounted to approximately HK$135.9 million (30 June 2018: HK$130.0 million). The Group's current ratio maintained at a level of approximately 8.2 at 30 June 2019 (30 June 2018: 11.8). At 30 June 2019, the Group had total assets of approximately HK$1,981.8 million (30 June 2018: HK$2,286.7 million) and total liabilities of approximately HK$145.7 million (30 June 2018: HK$139.2 million) with a gearing ratio of approximately 1.0% (30 June 2018: 0.7%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained at a fairly low level as at 30 June 2019 and 2018.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2019, the Group had approximately 460 employees for its operations in China, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme.

DEVELOPMENT AND PROSPECTS

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

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

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

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2019 (2018: 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 (the "Listing Rules") and complied with all the applicable code provisions of the CG Code throughout the financial year ended 30 June 2019, 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 2019.

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

Throughout the financial year ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 2019 as set out in the preliminary announcement have been reviewed by 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 Accounts 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 2019 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, 30 September 2019

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