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 2022

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 2022 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
Revenue	3	**501,218**	520,254
Cost of sales		**(481,374)**	(502,746)
Gross profit		**19,844**	17,508
Changes in fair value due to biological transformation		**(31,375)**	(38,667)
Other gains and income		**10,194**	20,544
Selling and distribution expenses		**(42,321)**	(36,403)
Administrative expenses		**(64,401)**	(65,638)
Impairment losses on trade receivables and deposits and other receivables		**(3,253)**	(35,250)
Other operating expenses		**(97,623)**	(111,775)
Loss from operations		**(208,935)**	(249,681)
Finance costs	5	**(436)**	(452)
Loss before tax		**(209,371)**	(250,133)
Income tax credit	6	**215**	2,913
Loss for the year	7	**(209,156)**	(247,220)
Attributable to:			
Owners of the Company		**(216,128)**	(247,213)
Non-controlling interests		**6,972**	(7)
		(209,156)	(247,220)
Loss per share	9		
Basic		**HK(11 cents)**	HK(13 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022	2021
	HK$'000	*HK$'000*
Loss for the year	**(209,156)**	(247,220)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**6,776**	1,468
Deferred tax liability on revaluation of buildings	**(1,694)**	(367)
	5,082	1,101
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(4,470)**	26,839
Exchange differences reclassified to profit or loss on disposal of subsidiaries	**329**	–
Fair value changes on financial assets at fair value through other comprehensive income	**(1,977)**	(288)
	(6,118)	26,551
Other comprehensive income for the year, net of tax	**(1,036)**	27,652
Total comprehensive income for the year	**(210,192)**	(219,568)
Attributable to:		
Owners of the Company	**(217,155)**	(219,561)
Non-controlling interests	**6,963**	(7)
	(210,192)	(219,568)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	Note	2022 HK$'000	2021 HK$'000
ASSETS			
Non-current assets			
Fixed assets		**188,675**	225,130
Right-of-use assets		**46,713**	57,262
Construction in progress		**107,986**	73,302
Bearer plants		**94,480**	99,488
Goodwill		**–**	10,564
Other intangible assets		**374**	32,606
Other assets		**205**	11,661
Investment in a joint venture		**–**	–
Investment in a club membership		**108**	108
Investments		**9,922**	110,548
Deferred tax assets		**8,380**	7,861
		456,843	628,530
Current assets			
Biological assets		**23,626**	18,227
Inventories		**117,842**	131,580
Trade receivables	*10*	**253,054**	247,627
Prepayments, deposits and other receivables		**99,465**	123,727
Investments		**108,188**	12,051
Current tax assets		**–**	394
Pledged bank deposits		**16,167**	17,096
Client trust bank balances		**3,715**	4,890
Bank and cash balances		**145,656**	223,423
		767,713	779,015
TOTAL ASSETS		**1,224,556**	1,407,545

	Note	2022 HK$'000	2021 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**210,141**	187,270
Reserves		**898,249**	1,114,489
		1,108,390	1,301,759
Non-controlling interests		**(41)**	(15,895)
Total equity		**1,108,349**	1,285,864
Non-current liabilities			
Lease liabilities		**7,845**	3,137
Deferred tax liabilities		**13,308**	11,690
		21,153	14,827
Current liabilities			
Trade payables	*11*	**69,470**	71,537
Accruals and other payables		**10,116**	17,247
Borrowings		**12,585**	15,710
Lease liabilities		**2,883**	2,360
		95,054	106,854
Total liabilities		**116,207**	121,681
TOTAL EQUITY AND LIABILITIES		**1,224,556**	1,407,545
Net current assets		**672,659**	672,161
Total assets less current liabilities		**1,129,502**	1,300,691

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 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 HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, Interest Rate Benchmark Reform — Phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("**IBOR reform**").

The amendments do not have an impact on these consolidated financial statements as the Group does not have contracts that are indexed to benchmark interest rates which are subject to the IBOR reform.

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

The Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 July 2021. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 16 Property Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. REVENUE

Disaggregation of revenue

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

	2022	2021
	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	**290,477**	313,027
– Sales of agri-products	**206,631**	200,811
– Logistics services income	**–**	2,231
– Sales of jewellery products in tourist retailing	**–**	534
– Commission and brokerage income on securities dealings	**1,210**	1,637
	498,318	518,240
Revenue from other sources		
– Interest income from margin financing	**2,900**	2,014
	501,218	520,254

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

	For the year ended 30 June 2022					
	Consumer goods	**Agri-products**	**Logistics services**	**Tourist retailing**	**Securities dealing services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Primary geographical markets						
Hong Kong	**3,301**	**44,040**	**–**	**–**	**1,210**	**48,551**
People's Republic of China (the "**PRC**") except Hong Kong	**287,176**	**162,591**	**–**	**–**	**–**	**449,767**
Revenue from external customers	**290,477**	**206,631**	**–**	**–**	**1,210**	**498,318**
Timing of revenue recognition						
Products and services transferred at a point in time	**290,477**	**206,631**	**–**	**–**	**1,210**	**498,318**

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

4. SEGMENT INFORMATION

The Group has two reportable segments (2021: three reportable segments) as follows:

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

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

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

The Group's other operating segments include the provision of securities dealing and margin financing services and tourist retailing of jewellery products. None of these segments meets any of the quantitative thresholds for determining reportable segments. The information of these other operating segments is included in the "All other segments" column.

During the year ended 30 June 2022, the Company ceased to provide logistic services ("**Logistics Services Business**"). As a result, the Logistics Services Business segment had insignificant contribution to the revenue, loss and assets of the Group and no separate information is presented for Logistic Services Business segment in 2022.

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 loss do not include gain or loss from investments, impairment loss on goodwill, certain other gains and income, certain finance costs, 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 investments, investment in a club membership, certain fixed assets and certain right-of-use assets. Segment liabilities do not include certain borrowings, certain accruals and other payables and certain lease liabilities. Segment non-current liabilities do not include certain lease liabilities and certain deferred tax liabilities.

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

Information about reportable segment revenue, loss, assets and liabilities:

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 30 June 2022				
Revenue from external customers	**290,477**	**206,631**	**4,110**	**501,218**
Segment loss	**(72,385)**	**(82,098)**	**(3,739)**	**(158,222)**
Depreciation and amortisation	**15,371**	**23,461**	**774**	**39,606**
Income tax expense/(credit)	**73**	**87**	**(519)**	**(359)**
Other material non-cash items:				
Changes in fair value due to biological transformation	**–**	**31,375**	**–**	**31,375**
Impairment losses/(reversal of impairment losses) on trade receivables, prepayments and other receivables, net	**1,390**	**2,924**	**(1,823)**	**2,491**
Impairment loss on fixed assets	**11,628**	**4,457**	**–**	**16,085**
Impairment loss on right-of-use assets	**1,765**	**–**	**–**	**1,765**
Impairment loss on other intangible assets	**28,673**	**10,725**	**–**	**39,398**
Impairment loss on other assets	**3,663**	**–**	**–**	**3,663**
Additions to segment non-current assets	**13,906**	**64,276**	**1,111**	**79,293**
At 30 June 2022				
Segment assets	**418,113**	**546,820**	**46,447**	**1,011,380**
Segment liabilities	**47,131**	**37,875**	**6,271**	**91,277**

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 30 June 2021					
Revenue from external customers	313,027	200,811	2,231	4,185	520,254
Segment loss	(45,504)	(84,436)	(42,071)	(15,149)	(187,160)
Depreciation and amortisation	25,238	17,759	7,384	1,294	51,675
Income tax credit	–	16	206	2,836	3,058
Other material non-cash items:					
Changes in fair value due to biological transformation	–	38,667	–	–	38,667
Impairment losses on trade receivables, prepayments and other receivables	8,156	15,568	3,088	14,115	40,927
Impairment loss on fixed assets	2,495	–	14,668	–	17,163
Impairment loss on right-of-use assets	–	4,808	18,986	–	23,794
Impairment loss on other intangible assets	10,335	–	–	–	10,335
Additions to segment non-current assets	24,282	27,491	1,114	2	52,889
At 30 June 2021					
Segment assets	506,265	538,548	108,697	64,611	1,218,121
Segment liabilities	42,908	30,094	12,327	8,209	93,538

Reconciliations of reportable segment loss, assets and liabilities:

	2022	2021
	HK$'000	*HK$'000*
Loss		
Total loss of reportable segments	**(158,222)**	(187,160)
Fair value loss on financial assets at fair value through profit or loss ("**FVTPL**"), net	**(17,170)**	(42,246)
Impairment loss on goodwill	**(10,564)**	(8,519)
Loss on disposal of subsidiaries, net	**(30)**	–
Unallocated amounts:		
Other corporate expenses	**(23,170)**	(9,295)
Consolidated loss for the year	**(209,156)**	(247,220)
Assets		
Total assets of reportable segments	**1,011,380**	1,218,121
Unallocated amounts:		
Investments	**118,110**	122,599
Other corporate assets	**95,066**	66,825
Consolidated total assets	**1,224,556**	1,407,545
Liabilities		
Total liabilities of reportable segments	**91,277**	93,538
Unallocated amounts:		
Other corporate liabilities	**24,930**	28,143
Consolidated total liabilities	**116,207**	121,681

Geographical information:

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

	Revenue		**Non-current assets**	
	2022	2021	**2022**	2021
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**51,451**	49,585	**3,306**	12,929
PRC except Hong Kong	**449,767**	470,669	**435,030**	496,519
Others	**–**	–	**–**	468
Consolidated total	**501,218**	520,254	**438,336**	509,916

Revenue from major customer:

For the years ended 30 June 2022 and 2021, 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

	2022	2021
	HK$'000	*HK$'000*
Interest on borrowings	**42**	138
Interest expenses on lease liabilities	**394**	314
	436	452

6. INCOME TAX CREDIT

	2022	2021
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Under/(over)-provision in prior years	**14**	(366)
Deferred tax	**(229)**	(2,547)
	(215)	(2,913)

Under the Two-tiered Profits Tax Rates Regime, the first HK$2 million of assessable profits of the qualifying Group entity established in Hong Kong will be taxed at 8.25%, and assessable profits above that amount will be subject to the tax rate of 16.5%. The assessable profits of the Group entities not qualifying for the Two-tiered Profits Tax Rates Regime will continue to be taxed at a rate of 16.5%.

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

According to the Income Tax Law of the Macau Special Administrative Region ("**Macau**"), two subsidiaries operating in Macau from 1 July 2020 to 31 December 2020 were in compliance with the Macau Decree-Law No. 58/99/M, and thus, the loss/profit generated by the subsidiaries was exempted from the Macau Complementary Tax. Furthermore, in the opinion of the Directors, that portion of the Group's loss/profit is not at present subject to taxation in any other jurisdictions in which the Group operates. According to the Macau Decree-Law No. 15/2018 in relation to repeal the regime of offshore service of Macau, the subsidiaries' offshore permits terminated on 1 January 2021. Upon the termination of permits, the subsidiaries have been transformed as Macau local companies which is subject to Macau Profit Tax in compliance with relevant Macau tax regulations.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2021: 25%), based on existing legislation, interpretation and practices in respect thereof.

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

	2022				2021			
	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*
Loss before tax	**(56,239)**	**(46,444)**	**(106,688)**	**(209,371)**	(16,123)	(109,190)	(124,820)	(250,133)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**(6,749)**	**(7,663)**	**(26,672)**	**(41,084)**	(1,935)	(18,016)	(31,205)	(51,156)
Tax effect of income not taxable	**(18,782)**	**(55)**	**(2,209)**	**(21,046)**	–	(2,263)	(4,757)	(7,020)
Tax effect of expenses not deductible	**25,277**	**6,520**	**27,348**	**59,145**	1,660	9,278	29,766	40,704
Loss exempted from the Macau Complementary Tax	**–**	**–**	**–**	**–**	275	–	–	275
Tax effect of unused tax losses not recognised	**–**	**1,005**	**1,812**	**2,817**	–	8,359	1,894	10,253
Tax effect of utilisation of tax losses not previously recognised	**–**	**(113)**	**–**	**(113)**	–	(234)	–	(234)
Tax effect of unrecognised temporary difference	**254**	**(213)**	**11**	**52**	–	40	4,591	4,631
Under/(over)-provision in prior years	**–**	**14**	**–**	**14**	–	(366)	–	(366)
Income tax (credit)/expense	**–**	**(505)**	**290**	**(215)**	–	(3,202)	289	(2,913)

7. LOSS FOR THE YEAR

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

	2022	2021
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**15,454**	21,575
Auditors' remuneration		
Audit services	**2,619**	2,667
Non-audit services	**–**	362
	2,619	3,029
Cost of inventories sold	**460,832**	473,079
Depreciation on fixed assets, net of amount capitalised	**14,183**	16,993
Depreciation on right-of-use assets, net of amount capitalised	**12,565**	14,183
Exchange losses/(gains), net	**631**	(5,219)
Fair value loss on financial assets at FVTPL, net	**17,170**	42,246
Loss on disposal of subsidiaries, net (included in other operating expenses)	**30**	–
Loss on redemption of financial assets at FVTPL, net	**428**	4,041
Impairment loss on fixed assets	**16,085**	17,163
Impairment loss on right-of-use assets	**1,765**	23,794
Impairment loss on goodwill	**10,564**	8,519
Impairment loss on other intangible assets	**39,398**	10,335
Impairment loss on other assets	**3,663**	–
Impairment loss on prepayments, deposits and other receivables	**12,221**	27,569
Impairment loss on trade receivables	**2,624**	22,936
Reversal of impairment loss on trade receivables	**(2,239)**	(9,578)
Reversal of impairment loss on other receivables	**(3,623)**	–
Fixed assets written off	**775**	–
Other receivables written off	**1,459**	–
Rental income #	**(940)**	(899)
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**21,133**	22,024
Retirement benefits scheme contributions	**592**	583
	21,725	22,607

Included in sales of agri-products (2021: logistics services income) in note 3.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 30 June 2022 (2021: 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$216,128,000 (2021: HK$247,213,000) and the weighted average number of ordinary shares of 2,000,523,700 (2021: 1,872,696,182) in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares for both years ended 30 June 2022 and 30 June 2021.

10. TRADE RECEIVABLES

		2022	2021
		HK$'000	*HK$'000*
Trade receivables arising from			
Trading	*(note(a))*	**230,110**	273,943
Dealing in securities and margin financing			
– Cash clients	*(note(b))*	**7,088**	7,823
– Margin clients	*(note(c))*	**38,259**	41,418
		275,457	323,184
Impairment loss on trade receivables		**(22,403)**	(75,557)
		253,054	247,627

Notes:

(a) For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 210 days (2021: 30 to 210 days).

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

	2022	2021
	HK$'000	*HK$'000*
1–30 days	**33,591**	51,955
31–60 days	**24,026**	35,603
61–90 days	**26,105**	35,302
Over 90 days	**141,658**	95,022
	225,380	217,882

At 30 June 2022, trade receivables arising from trading of approximately HK$6,194,000 (2021: HK$4,751,000) were past due but not impaired. The Group does not hold any collateral over these balances. These relate to a number of independent customers for whom there is no recent history of default. The amounts had been settled subsequent to the reporting period. The aging analysis of these trade receivables is as follows:

	2022	2021
	HK$'000	*HK$'000*
Up to 90 days	**6,105**	4,751
Over 90 days	**89**	–
	6,194	4,751

As at 30 June 2022, trade receivables arising from trading are unsecured and interest-free.

(b) Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$527,000 (2021: HK$858,000) 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 2022, cash client receivables of approximately HK$6,561,000 (2021: HK$6,965,000) were past due. These past due cash client receivables were substantially settled after the year end date, except for approximately HK$5,470,000 (2021: HK$5,109,000) for which impairment loss of approximately HK$361,000 (2021: HK$1,028,000) was recognised during the year. No aging analysis is disclosed as, in the opinion of the Directors, an aging analysis does not give additional value in view of the nature of these cash client receivables arising from dealing in securities.

As at 30 June 2022, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2021: 9.25% per annum).

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

As at 30 June 2022, margin client receivables arising from margin financing are interest-bearing at rates ranging from 6% to 8% per annum (2021: 6% to 8% per annum).

As at 30 June 2022, the total market value of securities pledged as collateral in respect the margin loans to customers are approximately HK$50,719,000 (2021: HK$80,018,000).

11. TRADE PAYABLES

	2022	2021
	HK$'000	*HK$'000*
Trade payables arising from		
Trading	**65,600**	66,452
Dealing in securities		
– Cash clients	**3,783**	5,077
– Clearing house	**87**	8
	69,470	71,537

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:

	2022	2021
	HK$'000	*HK$'000*
1–30 days	**37,149**	39,194
31–60 days	**20,972**	24,549
61–90 days	**7,409**	2,638
Over 90 days	**70**	71
	65,600	66,452

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$3,715,000 (2021: HK$4,890,000).

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

During FY2021/22, the Group are principally engaged in (i) the trading of packaged foods, beverages and household consumable products (the "**FMCG Trading Business**"); (ii) the trading of agri-products and the upstream farming business (the "**Agri-Products Business**") and (iii) other businesses primarily arising from the securities brokerage and margin financing business and the tourist retailing business (the "**Other Business**"). The first two businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

During the financial year, the global economy has been facing an increasingly gloomy and uncertain outlook, higher-than-expected inflation in most of countries triggered a tightening of global financial conditions. There have been further negative spillovers from the war in Ukraine, leading to a rise in global inflation and lower consumer sentiment. In China, further lockdowns caused by the COVID-19 pandemic (the "**pandemic**"), and the deepening real estate crisis pushed growth down, which was particularly evidenced by its macroeconomic data during the second half of the financial year under review. China's GDP grew 4.8% in the first quarter of 2022, followed by 0.4% growth for the second quarter, the lowest growth rate for more than two years, primarily stemmed from the large-scale lockdown, in particular in Shanghai. The retail sales growth was even worse during the same period, declining more than 11% and 6% in April and May 2022 respectively due to the lockdown measures, but merely grew at a low of 3% in June, even as lockdowns eased, reflecting a very negative consumer sentiment. Furthermore, the competition from domestic products remained fierce, especially considering their overwhelming advertisements and promotions. In the light of the overall sluggish economic environment, the Group's turnover also decreased by approximately 3.7% compared to the last financial year, whereas the gross profit margin could remain stable, primarily thanks to the improvement in the FMCG Trading Business's gross profit margin because the Group attempted to reduce certain amount of discount that was offered to our loyal customers during the pandemic, and to refine its product mix by ceasing or trimming down the trading of certain unprofitable beverage products after thorough review. However, the supply chain disruptions and the high inflation still increased purchase costs pronouncedly and put large downward pressure on the gross profit margin.

During the financial year, the Group continued to carefully review our businesses and trim down unprofitable operations such as logistics services and the tourist retailing business. The border restrictions remained in place between China and Hong Kong, resulting in plummeting number of mainland Chinese tourists. In view of the gloomy outlook for the Hong Kong tourism industry, the Group disposed the investment in Waygood Investment Development Limited ("**Waygood**"), which was the operator of Tsim Sha Tsui East-based department store, Tycoon City. The poor outlook and uncertainties facing the tourist retailing business also gave rise to an impairment loss on goodwill being recognised during the financial year.

The Group has continuously been exploring suitable investment opportunities to enhance the Group's investment portfolios. On 9 December 2021, the Group completed the acquisition of 17.5% equity interest in First Bullion Holdings Inc. ("**First Bullion**") at a consideration of approximately HK$23.8 million involving the issue of 228,711,000 ordinary shares at the issue price of HK$0.104 each under general mandate to Smart Empire Group Limited and the acquisition was recognised as an investment in financial asset at fair value through profit or loss. The Group considers that the acquisition would diversify and enhance the Group's investment portfolios and provide the Group with a good opportunity to tap into the virtual asset trading exchange business.

The operating environment has been pronouncedly deteriorating. After the double shock of the pandemic and the war in Ukraine, inflation rates have exceeded expectations, surging to the highest levels in decades in many countries, while economic growth forecasts are rapidly deteriorating. The intensifying and persistent political tensions, the rise on protectionism and the increasing competition from domestic brands continuously cast a gloom over the operating environment. Against the above backdrop, the Group will take a more cautious stance for future development but would still continuously explore investment opportunities to enrich our investment portfolios and reduce operational risk of the principal businesses by better diversification. On the other hand, the Group will continue to implement cost-saving initiatives, as well as ensure a strong and healthy financial position to weather any unforeseeable headwinds.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$501.2 million as compared to HK$520.3 million for FY2020/21, representing a fall of approximately 3.7%. The decline in revenues was mainly attributable to the decrease in the revenues from the FMCG Trading Business and the Logistics Services Business, and partly offset by the increase in the revenues from the Agri-Products Business and the securities brokerage and margin financing business. The pandemic caused widespread disruption to global supply chain, many factories shutdown, freight restrictions and more stringent customs clearance process, the impacts were particularly severe for the Group's FMCG Trading Business and Logistics Services Business. Worse still, China imposed widespread lockdowns, including Shanghai where the Group's operating base is located, to curb a new wave of the pandemic outbreak during the second half of the financial year. These containment measures severely weakened market demand and disrupted the whole supply chain. In the meantime, considering the pandemic would last for a long time, the Group attempted to gradually reduce certain amount of discount that was offered to our loyal customers during the pandemic, which further decreased the business volume of the FMCG Trading Business, especially when facing keen competition from other domestic brands. The Group also carefully reviewed and refined the product portfolio by ceasing or trimming down the trading of certain unprofitable products, primarily those beverage products with thin profit margin, during the financial year. As a result, the revenue from the FMCG Trading Business decreased consequently. On the other hand, the purchase costs for certain import products, in particular agricultural products, have been surging significantly during the financial year, the Group had to correspondingly increase the selling prices which in turn boosted the turnover of the agri-products trading business. The revenue of the upstream farming business also recorded steady growth over past few years thanks to the improving agricultural knowledge and distribution network accumulated by years of operations, and the lesser negative impact from the pandemic for its supply chain. The increase in the revenue of the securities brokerage and margin financing business was primarily attributable to the increase in the interest income from margin financing.

Gross profit margin increased from approximately 3.4% to 4.0% compared to FY2020/21. The increase was mainly attributable to the improvement in the FMCG Trading Business's gross profit margin because the Group reduced certain amount of discounts as well as the reduction of the impact of certain unprofitable products as aforesaid, but partly offset by the decrease in the gross profit margin of the Agri-Products Business. During the financial year under review, the purchase and production costs for import and self-grown agricultural products have been rising substantially due to the surging inflation around the world. Although the Group increased the selling prices in response to the upward spike in costs, the Group could not effectively transfer all the increased costs to customers due to the keen market competition and weak demand. Therefore, the gross profit margin of the Agri-Products Business decreased from 5.4% to 4.1% compared to the last financial year.

Changes in fair value due to biological transformation decreased from approximately HK$38.7 million to approximately HK$31.4 million. The decrease was mainly attributable to the increased production yield.

Other gains and income decreased from approximately HK$20.5 million to approximately HK$10.2 million compared to FY2020/21. The gains and income mainly represented an interest income of approximately HK$6.1 million derived from the investment in financial instruments issued by China Healthwise Holdings Limited ("**China Healthwise**") and Graphex Group Limited ("**Graphex**", formerly known as Earthasia International Holdings Limited), an interest income from bank deposits of approximately HK$1.3 million and other miscellaneous income of approximately HK$2.8 million.

Selling and distribution expenses increased by approximately 16.3% from approximately HK$36.4 million to approximately HK$42.3 million compared to FY2020/21, representing approximately 8.4% of total revenue (FY2020/21: 7.0%). The increase in the selling and distribution expenses as a percentage of turnover was mainly attributable to the increase in freight and transportation costs stemmed from the supply chain disruptions amid the pandemic. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, freight and transportation, commission as well as sales force, handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 1.9% from approximately HK$65.6 million to approximately HK$64.4 million compared to FY2020/21. The decrease was a combination of the Group's various cost saving initiatives, the termination of some unprofitable operations such as logistics services and tourist retailing, and offset by the surging costs such as energy and office consumables caused by inflation.

Impairment losses on trade receivables and deposits and other receivables were approximately HK$3.3 million (FY2020/21: HK$35.3 million) as the Group has continued to take a cautious approach on the receivables that exposed to a higher risk of collectability given these tumbling and uncertain economic conditions.

Other operating expenses decreased from approximately HK$111.8 million to approximately HK$97.6 million. The expenses mainly represented impairment losses on and written off of fixed assets, right-of-use assets, goodwill, other intangible assets, other assets and prepayments and other receivables of approximately HK$79.4 million, a net loss on fair value change on the investments in Global Mastermind Holdings Limited ("**Global Mastermind**"), China Healthwise and First Bullion of approximately HK$17.2 million as well as a loss on redemption of the convertible bonds of approximately HK$0.4 million and an exchange loss of approximately HK$0.6 million. For the financial year under review, as the Group recorded segment losses for the Group's business segments, and given the persistent gloomy economic outlook and challenging environment, the Board had continued to adopt a cautious approach on the profit forecasts on these segment businesses, which resulted in recoverable amounts of the business segments less than the carrying amounts and hence substantial impairment losses were recognised.

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

Net loss for the year ended 30 June 2022 was approximately HK$209.2 million (FY2020/21: HK$247.2 million). The decrease in the net loss was mainly attributable to a combination of approximately 0.6% increase in gross profit margin, approximately HK$7.3 million decrease in loss of changes in fair value due to biological transformation, approximately 1.9% decrease in administrative expenses, approximately HK$46.1 million decrease in impairment losses on trade receivables and deposits and other receivables and other operating expenses, and partly offset by approximately 3.7% decrease in turnover, approximately HK$10.4 million decrease in other gains and income, and approximately 16.3% increase in selling and distribution expenses.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells packaged foods, beverages and household consumable 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$290.5 million in revenues to the Group for FY2021/22, decreased by approximately 7.2% from that contributed in FY2020/21. The decrease in revenues was primarily attributable to the impact from the pandemic and the fierce competition against domestic brands. The pandemic unavoidably caused severe impact on the FMCG Trading Business, the supply chains were seriously challenged by port congestion caused by pandemic-induced port closure and labour shortage due to quarantine measures by different countries. Worse still, China imposed widespread lockdowns to curb a new wave of the pandemic outbreak during the second half of the financial year. The lockdown measures severely affected the Group's business operations from procurement, customs clearance to distribution of products, alongside the weakening market demand.

During the financial year under review, the Group attempted to reduce certain amount of discounts and promotions that were originally incentivized our customers during the pandemic. The business volume was further abated by this move in addition to the weak market demand, but it facilitated normalizing the Group's post-pandemic pricing strategy and maintaining more stable gross profit margins. Additionally, the Group also continuously reviewed its product portfolio and trimmed down the trading of certain unprofitable beverage products in order to improve the gross profit margin. Going forward, although the operating environment is fraught with challenges such as the surging import costs and the high currency volatility, the Group will aim to maintain stable gross profit margin by using flexible pricing strategy and refining product mix.

This business unit can be classified into three categories including packaged foods, beverages and household consumable products with their respective contribution of approximately 78%, 15% and 7%. 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 from packaged foods increased from approximately 70% to approximately 78% compared to the last financial year, the increase was primarily attributable to the decrease in the revenue contribution from beverages.

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$206.6 million for the FY2021/22, increased approximately 2.9% as compared to the HK$200.8 million generated in FY2020/21, primarily attributable to the increase in the selling prices of the agricultural products and the increase in the production yield of the upstream farming business. The competition for imported fresh produce market remained fierce due to rising import costs and persistent anti-extravagance atmosphere, whereas the upstream farming business recorded steady revenue growth during the financial year thanks to its gradual development, better distribution channels and agricultural skills.

Agri-Products Trading Business

Similar to the FMCG Trading Business, this business segment was also affected by the pandemic, the keen competition and the disrupted supply chains. The competition for the Chinese fresh produce market was very intense as the gap in product quality and product variety between domestic fresh produce and imported fresh produce have been shrinking over past few years, which led to the continuous improvement in the popularity of domestically produced agricultural products. This was further exacerbated by the negative impact from the pandemic on the stability of product supply, freight transport and warehouse storage operations for imported agricultural products, especially considering its short life cycle and perishable nature. During the financial year under review, the supply chain disruption coupled with the global inflation substantially increased the purchase costs for agricultural products, the Group had to increase selling prices but could not effectively pass on the increased costs to customers due to the keen market competition. As a result, the revenue of the imported agri-products trading business slightly increased with declining gross profit margin compared to FY2020/21.

The Group has been continuously developing its trading business for domestic fresh produce as a supplementary business, of which the gross profit margin was more stable than its counterparts of the imported agricultural products considering the surging transportation costs amid the pandemic. The percentage of its revenue over the total revenue of the agri-products trading business was approximately 23.2%, which was fairly stable compared to approximately 24.2% of last financial year. The Group will continue to develop its domestic fresh produce business by leveraging on the improving sourcing network and the well-established distribution channels.

During the financial year under review, the Group has been setting up a new centre for food processing and warehouse storage for agri-products in Dongguan of China in an attempt to expand the current operation of a leased premises in Zhongshan, where occasionally reached its capacity due to its size limitation. The new processing centre is equipped with advanced machineries and processing lines and has commenced operations in September 2022. The operations of the premises in Zhongshan will be entirely transferred to the new centre to save operating costs afterwards.

Upstream Farming Business

During the financial year under review, the Group continued to carefully operate in the plantations of early crop oranges and ponkans in the Jiangxi's farming base. The revenue of the upstream farming business increased by approximately 20.3% from HK$13.1 million to HK$15.7 million compared to last financial year. The increase was primarily attributable to the increase in harvest quantities and selling prices resulting from its improving distribution channels and agricultural skills accumulated by years of operations. The inclement weather, the rising labour and materials costs, and the pandemic remained the largest uncertainties and threats to the upstream farming business. The Group strived to mitigate these negative impacts by virtue of years of operating experience to work more closely with China's authorised institutions in weather forecasting and with local government to cope with containment policies amid the pandemic. Furthermore, the Group will continue to enhance its agricultural skills by strengthening the research and development for the upstream farming business, including setting up an agricultural research and test-lab centre, which is expected to be completed by the first half of 2023.

To facilitate the development of this business unit, the Group has been proactively developing a project including the construction of a fruit processing centre and the development of agri-tourism business nearby. The fruit processing centre has completed its test-run phases and will commence its full operation after obtaining relevant permits from the authorities. The centre is equipped with cold chain storage and other advanced machineries to enable it providing a full range of services from washing, packaging to warehousing for the Group's and other third parties' agricultural products. During the financial year under review, the remaining part of the project including agri-tourism facilities such as pick-your-own farm and recreational facilities such as restaurant and hostel has been carefully developing, but the progress was severely affected by the pandemic. The Group will ensure the agri-tourism business development will be financially viable and maintain an effective communication with the local government to mitigate the impact from the pandemic on it.

Logistics Services Business

The Logistics Services Business provides certain logistics-related services such as warehousing and food processing production lines for fresh produce. During the financial year under review, the Company ceased to provide logistic services and did not record any logistics services income (FY2020/21: HK$2.2 million). In view of various containment policies such as lockdown and quarantine measures undertaken in China, the Group has been reviewing this business segment thoroughly on a continuous basis during the financial year. The provision of associated logistics services to the Group's customers was particularly difficult and not financially viable considering the enduring impact of the pandemic and its relevant high operation and maintenance costs. Therefore, the Group outsourced delivery services and ceased its third-party logistics services during the financial year, which resulted in a saving in operating costs, but the revenue of this business segment inevitably decreased correspondingly.

Other Business

The Other Business contains providing securities trading, margin financing and IPO subscription brokerage services through Sino Wealth Securities Limited and operating tourist retailing business. The revenue of the securities brokerage and margin financing business, primarily brokerage commission and margin financing interest income, increased by approximately 12.6% compared to the last financial year. The increase in the revenue of the securities brokerage and margin financing business was primarily attributable to the interest income from margin financing to its customers during the year. On the contrary, the tourist retailing business has been hit hardest over past few years and there were no any signs of recovery during the financial year. The drastic plunge in the tourism industry from the mainland Chinese visitors in Hong Kong continuously brought strong blow to the tourist retailing business. As the removal of the border restrictions for tourists from China remained highly uncertain in foreseeable future, the Group has been continuously reviewing this business unit and implementing various austerity measures to reduce its operating expenses. During the financial year, the Group divested its investment in Waygood to trim down the scale of this business unit and will continue to review the remaining operations carefully. The disposal did not have any material impact on the financial performance of the Group.

On 9 December 2021, the Group completed the acquisition of 17.5% equity interest in First Bullion at a consideration of approximately HK$23.8 million involving the issue of 228,711,000 ordinary shares at the issue price of HK$0.104 each under general mandate to Smart Empire Group Limited and the acquisition was recognised as an investment in financial asset at fair value through profit or loss. The issue price of HK$0.104 represents a discount of approximately 19.38% to the closing price of HK$0.129 per share as quoted on the Stock Exchange on the date of the supplemental agreement 2 December 2021. First Bullion is incorporated in the British Virgin Islands (the "**BVI**") and is principally engaged in the provision of digital assets listing, trading and management services. First Bullion established Cryptosx, a digital assets exchange portal, in 2018 and is licensed in the Philippines by Cagayan Economic Zone Authority to conduct Financial Technology Solutions and Offshore Virtual Currency Exchange business activities, including the authority to approve and endorse security token offerings, operation of digital assets exchanges as well as the provision of digital assets wealth management services. The blockchain and digital asset technology has been gaining significant momentum and has steadily been adopted or entered into by different finance entities in recent years. The Board considers that the acquisition would diversify and enhance the Group's investment portfolios and provide the Group with a good opportunity to tap into the virtual asset trading exchange business. However, the global financial market has been dipping due to surging inflation, the war in Ukraine, and other macroeconomic challenges since the acquisition of First Bullion, cryptocurrencies and digital assets followed suit but falling back much faster than the traditional securities and asset class during the same period. As a result of the high volatility and turbulence in the digital assets industry, according to the valuation report applying the market approach prepared by an independent professional valuer, the fair value of 17.5% equity interest in First Bullion has dropped to approximately HK$9.9 million which led to an impairment loss of approximately HK$13.9 million for FY2021/22.

On 28 December 2021, the Group entered into a memorandum of understanding (the "**MOU**") which was valid for one year for a possible cooperation in matters of environmental issue such as carbon neutrality and green finance with Allied Sustainability and Environmental Consultants Group Limited, a company listed on GEM of the Stock Exchange (stock code: 8320). As the Group has tapped into the digital assets industry, the entering into of the MOU would promote and deepen the strategic cooperation and business synergy between the parties in provision of green finance and environmental consultancy with the application of blockchain technology. The negotiation between two parties for the terms of cooperation is in progress as of the date of this announcement.

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 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 are impacted by fluctuations in the global economy and financial market, particularly those in China. The decline in Chinese economic growth inevitably affected the level of disposable income and consumer confidence, and hence weighing on the demand on the Group's products and revenues. Therefore, if there is any significant financial volatility and economic setback, or even economic shutdown caused by force majeure events such as global pandemic and wars, the Group's operations and financial performance may be adversely affected. The economic risks may result in financial market turbulence and market disruption, which may severely affect the operations of the securities brokerage and margin financing business, and the tourist retailing business.

2) Increasing Market Competition

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

3) Increasing Political Risks

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

4) **Supply Chain Risk**

The Group sources products from a number of overseas suppliers. The cooperation is based on well-entrenched relationship and fair terms of trade between the Group and suppliers. However, the Group cannot warrant that the relationship with each supplier will remain unchanged, and in the event the Group is unable to reach agreement upon reasonable terms with any suppliers and cannot find suitable substitute suppliers, the Group's operations may be affected. Supply chain may also be disrupted by force majeure events such as global pandemic and wars, the freight costs may rocket and the Group cannot warrant to restock inventory timely.

5) **Inclement Weather Condition**

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

6) **Financial Risk**

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

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 recognised standards.

KEY RELATIONSHIP

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

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

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

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

During FY2021/22, 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 FY2021/22, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

At 30 June 2022, the Group held a convertible bond issued by China Healthwise, a bond issued by Graphex, shares in Global Mastermind and shares in First Bullion.

China Healthwise is a listed company of the main board of the Stock Exchange and together with its subsidiaries are principally engaged in sale of Chinese health products, money lending business and investment in financial instruments. During the financial year, China Healthwise redeemed in total HK$8.7 million of the convertible bond. As at 30 June 2022, the outstanding principal amount was HK$72.3 million and the fair value of the Group's investment in the convertible bond issued by China Healthwise was approximately HK$72.4 million (30 June 2021: HK$85.0 million), representing approximately 5.9% (30 June 2021: 6.0%) of the Group's total assets, and recorded a fair value loss on investment of approximately HK$3.5 million, a loss on redemption of convertible bonds of approximately HK$0.4 million and an interest income of approximately HK$4.5 million during the financial year.

On 17 August 2022, the Group and China Healthwise entered into the second supplemental agreement for amending the subscription agreement to amend and extend the maturity date of the convertible bond from 10 October 2022 to 10 October 2024 and reduce the conversion price from HK$1.00 per conversion share to HK$0.38 per conversion share. In the event of the exercise of the conversion rights based on the proposed amendments, a maximum of 190,263,157 new shares will be allotted and issued by China Healthwise, which represents approximately 19.80% of the issued share capital as enlarged by the issue and allotment of the new shares. An extraordinary general meeting will be held on 7 October 2022 to seek shareholders' approval on the second supplemental agreement.

Graphex is a listed company of the main board of the Stock Exchange and together with its subsidiaries are principally engaged in the business of processing and sale of graphite and graphene related products, landscape architecture services business and catering business. At 30 June 2022, the outstanding principal amount was HK$25.5 million and the fair value of the Group's investment in its bond was approximately HK$23.6 million (30 June 2021: HK$25.6 million), representing approximately 1.9% of the Group's total assets (30 June 2021: 1.8%), and recorded an interest income of approximately HK$1.6 million for the financial year.

Global Mastermind is a listed company of the GEM of the Stock Exchange and together with its subsidiaries are principally engaged in provision and operation of travel business, treasury management business, money lending business, brokerage business, asset management and corporate finance advisory services. At 30 June 2022, the Group held 84,507,042 shares of Global Mastermind, representing approximately 16.54% equity interest, as financial assets at fair value through profit or loss and will remain as a passive investor by continuing holding its shares. At 30 June 2022, the fair value of the Group's investment in its shares was approximately HK$12.1 million (30 June 2021: HK$11.9 million), representing approximately 1.0% of the Group's total assets (30 June 2021: 0.8%), and recorded a fair value gain on investment of approximately HK$0.2 million.

First Bullion is incorporated in the BVI and is principally engaged in the provision of digital assets listing, trading and management services. At 30 June 2022, the Group held 350,000 shares in First Bullion, representing its 17.5% equity interest, as financial assets at fair value through profit or loss. At 30 June 2022, the fair value of the Group's investment in its shares was approximately HK$9.9 million (30 June 2021: Nil), representing approximately 0.8% of the Group's total assets (30 June 2021: Nil) and recorded a fair value loss on investment of approximately HK$13.9 million.

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

At 30 June 2022, the Group had interest-bearing borrowings of approximately HK$12.6 million (30 June 2021: HK$15.7 million) of which all borrowings were denominated in Hong Kong dollars and all would mature within one year. All of the Group's bank borrowings at 30 June 2022 were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company, charge over investments of a subsidiary in carrying amount of approximately HK$0.1 million (30 June 2021: HK$0.1 million) and pledged bank deposits of certain subsidiaries in carrying amount of approximately HK$16.2 million (30 June 2021: HK$17.1 million).

A significant portion of sales, purchases, services income and bank and cash equivalents of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. The Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 30 June 2022, the Group did not have any significant hedging instrument outstanding.

At 30 June 2022, the Group's current assets amounted to approximately HK$767.7 million (30 June 2021: HK$779.0 million) and the Group's current liabilities amounted to approximately HK$95.1 million (30 June 2021: HK$106.9 million). The Group's current ratio maintained at a level of approximately 8.1 at 30 June 2022 (30 June 2021: 7.3). At 30 June 2022, the Group had total assets of approximately HK$1,224.6 million (30 June 2021: HK$1,407.5 million) and total liabilities of approximately HK$116.2 million (30 June 2021: HK$121.7 million) with a gearing ratio of approximately 1.0% (30 June 2021: 1.1%). 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 2022 and 2021.

USE OF PROCEEDS FROM RIGHTS ISSUE

On 11 January 2017, the Company raised from a rights issue the net proceeds of approximately HK$207.3 million (the "**Rights Issue**").

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

Approximate HK$ million	Planned use of proceeds as disclosed in the announcement of the Company dated 10 March 2021	Remaining proceeds as at 30 June 2021	**Utilised during the year ended 30 June 2022**	**Utilised as at 30 June 2022**	**Remaining Proceeds as at 30 June 2022**	Expected timeline for the intended use
(i) Securities brokerage business for compliance with its financial resources and for future expansion purpose	80.0	–	**–**	**80.0**	**–**	–
(ii) Upgrade of cold storage and logistics facilities in Shanghai	12.0	3.0	**3.0**	**12.0**	**–**	by 31 December 2021
(iii) Renovation and equipping of fruit processing centre in Jiangxi	14.0	14.0	**14.0**	**14.0**	**–**	by 30 June 2022
(iv) Installation of cold storage and logistics facilities in Jiangxi *(Note 1)*	17.0	9.6	**5.7**	**13.1**	**3.9**	by 31 October 2022
(v) Set up of new processing agri-product centre in Dongguan *(Note 2)*	34.0	34.0	**30.1**	**30.1**	**3.9**	by 31 December 2022
(vi) Research and development expenses in upstream farming	4.0	4.0	**4.0**	**4.0**	**–**	by 31 March 2022
(vii) Set up of an agricultural research and test-lab centre in Jiangxi *(Note 3)*	6.0	6.0	**1.5**	**1.5**	**4.5**	by 30 June 2023

Approximate HK$ million	Planned use of proceeds as disclosed in the announcement of the Company dated 10 March 2021	Remaining proceeds as at 30 June 2021	**Utilised during the year ended 30 June 2022**	**Utilised as at 30 June 2022**	**Remaining Proceeds as at 30 June 2022**	Expected timeline for the intended use
(viii) Promotion and marketing activities *(Note 4)*	10.0	9.7	**2.9**	**3.2**	**6.8**	by 30 June 2023
(ix) Set up of an agri-tourism park with various facilities in Jiangxi *(Note 5)*	27.0	27.0	**7.3**	**7.3**	**19.7**	by 30 June 2023
(x) Working capital and general corporate purposes	3.3	3.3	**3.3**	**3.3**	**–**	by 30 June 2022
Total	207.3	110.6	**71.8**	**168.5**	**38.8**	

Notes:

1. The expected timeline for the planned use of proceeds of HK$17.0 million for installation of cold storage and logistics facilities in Jiangxi was by 31 March 2022 as disclosed in the interim report for the six months ended 31 December 2021 ("**2021/22 Interim Report**").

2. The expected timeline for the planned use of proceeds of HK$34.0 million for set up of new processing agri-product centre in Dongguan was by 31 March 2022 as disclosed in the 2021/22 Interim Report.

3. The expected timeline for the planned use of proceeds of HK$6.0 million for set up of an agricultural research and test-lab centre in Jiangxi was by 31 May 2022 as disclosed in the 2021/22 Interim Report.

4. The expected timeline for the planned use of proceeds of HK$10.0 million for promotion and marketing activities was by 30 June 2022 as disclosed in the 2021/22 Interim Report.

5. The expected timeline for the planned use of proceeds of HK$27.0 million for set up of an agri-tourism park with various facilities in Jiangxi was by 30 June 2022 as disclosed in the 2021/22 Interim Report.

REASONS FOR THE DELAY IN USE OF PROCEEDS

Referring to the expected timelines disclosed in the 2021/22 Interim Report, there were delays in expected timelines for certain planned use of proceeds (notes 1 to 5). These delays were due to the disruption of pandemic and lockdown measures in the PRC during the six months ended 30 June 2022, hence these remaining proceeds at 30 June 2022 were extended to their respective timelines as disclosed above.

Save for the aforesaid delays in expected timelines for certain planned use of proceeds, there are no other changes in the use of the proceeds from Rights Issue.

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2022, the Group had 284 employees for its operations in China, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. For the year ended 30 June 2022, no forfeited contributions by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions was used by the Group to reduce the existing level of contributions. The Group has adopted a share option scheme on 21 December 2018 as well as a share award plan on 12 June 2020 of which the Board may, at its discretion, grant options or award shares to eligible participants of the share option scheme and the share award plan respectively. During the year ended 30 June 2022, no share options were granted, exercised, cancelled nor lapsed and the Company had no share options outstanding under the share option scheme at 30 June 2022 (30 June 2021: Nil). Since the adoption of the share award plan to 30 June 2022, no share was purchased nor held under the shares pool and no share award was granted (30 June 2021: Nil).

DEVELOPMENT AND PROSPECTS

The global economic outlook has been deteriorating rapidly since 2022. The unexpected war in Ukraine significantly exacerbated the originally high inflation pressure caused by the pandemic. With higher-than-expected inflation, global financial conditions are becoming tighter because central banks in many countries started tightening to reduce inflation. In China, further lockdowns caused by the pandemic and a deepening real estate crisis severely suppress its economic growth. Geographical tensions among different nations and the increasing competition from domestic brands further worsened the overall operating environment.

For the traditional trading businesses including the FMCG Trading Business and the agri-products trading business, the Group will continue to reinforce their operations by reinforcing the relationship with suppliers, in particular considering the increasing importance of the cooperation with them to smoothen the supply chain process and to negotiate stable purchase prices in such an uncertain time. Meanwhile, although the pandemic has negative impacts on sourcing new products, the Group will continue to expand its procurement network worldwide in order to enrich product portfolio and variety and identify suitable products for Chinese market. On the other hand, in view of uncertain economic outlook and surging purchase costs, the Group will take a more prudent approach by stopping selling products to customers with weak creditworthiness, and moderately increase selling prices to counteract the increase in the purchase costs.

As aforesaid, the Group has been developing a new food processing centre in Dongguan to facilitate food processing and warehouse functions of the agri-products trading business. Although the pandemic negatively affected its development, the Group managed to complete it on schedule. The new processing centre will wholly replace the current leased premises in Zhongshan and will be the key operating hub in South China.

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

Furthermore, the Group has continuously been exploring suitable investment opportunities to enhance the Group's investment portfolios. The new business will not only provide a potential growth driver, but also reduce the concentration risk, especially when the outlook for the traditional trading businesses is highly uncertain. Although the digital assets market recorded significant plunge during the first half of 2022, the Group is cautiously optimistic on its long term development in view of its unlimited room for evolvement and enhanced regulations. In any event, the Group will evaluate every investment opportunity on a conservative basis.

The financial results were hindered by the deteriorating macro environment. There are many uncertainties ahead including the development of the pandemic, the global inflation issue, the political tension among different major nations, and the global economic slowdown. The Group will take a more cautious stance for future development and continue to implement cost-saving initiatives, as well as ensure a strong and healthy financial position to weather any unforeseeable headwinds.

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2022 (2021: Nil).

CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code (the "**CG Code**") as set out in part 2 of 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 2022, except with deviation from code provision C.2.1.

Under the code provision C.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. While all major decisions of the Group were made in consultation with and under due consideration and approval by the Board, the Board believes that by virtue of Mr. Lam's in-depth experience and understanding of the Group, vesting the roles of Chairman and Chief Executive Officer on Mr. Lam can generate benefits for the Group and shareholders as a whole and at the same time the balance of power and authority between the Board and the management of the Group is effectively maintained.

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 2022.

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

Throughout the financial year ended 30 June 2022, 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 2022 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 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 2021/22 annual report of the Company will be despatched 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 2022

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. Gao Qin Jian, Mr. Chan Cheuk Yu Stephen and Mr. Mok Tsan San; and three independent non-executive directors, namely Ms. Mak Yun Chu, Mr. Poon Yiu Cheung Newman and Mr. Hung Hing Man.