Heng Tai Consumables Group Limited
亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 00197)

Annual Report 2022/23

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Gao Qin Jian
Mr. Chan Cheuk Yu Stephen
Mr. Mok Tsan San

Independent Non-Executive Directors:

Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman
Mr. Hung Hing Man

COMPANY SECRETARY

Mr. Wong Siu Hong

INDEPENDENT AUDITOR

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

REGISTERED OFFICE

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Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman
KY1-1100, Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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338 King's Road
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COMPANY WEBSITE

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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of Heng Tai Consumables Group Limited (the "Company" or "Heng Tai"), it is my great privilege to present to our shareholders the Annual Report for the Company and its subsidiaries (together the "Group") for the financial year ended 30 June 2023 ("FY2022/23").

FINANCIAL PERFORMANCE

During the financial year under review, the global economy has been facing an increasingly gloomy and uncertain outlook, persistently high inflation in most of countries triggered a string of tightening measures and interest rate hikes, coupled with Russia-Ukraine war, which led to a sharp slowdown and an enduring setback in the global economic development. In China, the Chinese government continued to implement stringent and widespread lockdown measures to curb the novel coronavirus disease 2019 (COVID-19) (the "pandemic") during the first half of FY2022/23. Although China had loosened up the pandemic-related containment measures since December 2022, the post-pandemic economic growth still fell short of expectation. The fierce competition from domestic brands has been persistently intensifying due to their overwhelming advertisements while the surging purchase costs for import products further put the Group's trading businesses at disadvantage. On the other hand, the Group continued to carefully review our businesses and trim down unprofitable operations such as the securities brokerage and margin financing business and the tourist retailing business. During the financial year, the Group decided to terminate its operations in the tourist retailing business considering the number of the mainland tourists and their purchasing power still well below their pre-pandemic levels. Moreover, the Group is scheduling to pull out of the securities brokerage and margin financing business due to the weakening capital market conditions and its expected slow recovery pace.

Revenues fell approximately 12.1% to approximately HK$440.6 million in FY2022/23, primarily attributable to the decrease in the revenues from the traditional trading businesses, including the FMCG Trading Business and the Agri-Products Trading Business, as well as the decrease in the revenue contribution from the Upstream Farming Business. The net loss for FY2022/23 was approximately HK$125.6 million, compared to the net loss of approximately HK$209.2 million for the preceding financial year ("FY2021/22"). The decrease in the net loss was mainly attributable to a combination of an increase in gross profit margin, a decrease in selling and distribution expenses and other operating expenses, and partly offset by the decrease in turnover and an increase in changes in fair value due to biological transformation.

BUSINESS REVIEW

During the financial year under review, the global community has been fighting against the high inflation as well as other uncertainties such as the pandemic, Russia-Ukraine war and debt distress problems across different countries. The FMCG Trading Business faced tough challenges such as the impact from the pandemic, the weak market demand and the fierce competition against domestic brands. Furthermore, the Group also adopted more restrictive credit policies and reduced certain amount of discounts and promotions that were originally incentivized our customers during the pandemic, which further decreased the number of order placements. As a result, the FMCG Trading Business recorded a decrease in its revenue. However, as the amortisation that were recognised in cost of sales were substantially lower, the gross profit margin of the FMCG Trading Business improved compared to the last financial year. Packaged foods remained as the most important category and its contribution over the FMCG Trading Business was at approximately 80%, followed by beverage products. The Group continuously reviewed its product portfolio and trimmed down the trading of certain unprofitable products. Going forward, the Group will continue to reinforce their operations by reinforcing its procurement network, the relationship with existing suppliers, and sourcing more suitable and niche products for Chinese market.

During the financial year, the Agri-Products Business recorded a decrease in its revenue, primarily stemmed from the decrease in the revenue of the Agri-Products Trading Business. The Upstream Farming Business also suffered from the pandemic and the weak market demand, and recorded a fall in its revenue but the magnitude was more modest compared to that of the Agri-Products Trading Business, which was severely affected by the pandemic during the second half of 2022, followed by a wave of COVID-19 outbreak in early 2023 that further depressed business operations and consumer sentiment in the PRC. Additionally, the competition of the fresh produce market in the PRC was very intense as the gap in product quality and product variety between domestic fresh produce and imported fresh produce has been shrinking over past few years, not to mention their price advantage due to rapid increase in purchase costs for imported agricultural products during the financial year under review. As a result, the revenue of the Agri-Products Trading Business, in particular the imported agricultural products, declined noticeably. In the meantime, the new centre for food processing and warehouse storage for agri-products in Dongguan has commenced its operations, which has effectively smoothed the operations by increasing the operation capacity and lower the transportation costs. The new processing centre is equipped with advanced machineries and processing lines where primarily serves the Group's Agri-Products Trading Business in southern China.

CHAIRMAN'S STATEMENT

On the other hand, although the pandemic and the inclement weather still posed a threat to the Upstream Farming Business, the Group's self-grown products have gained tractions over past few years by virtue of the improved cultivation skills and more efficient distribution channels accumulated by years of operations. To facilitate the development of the Upstream Farming Business, the Group has been developing an agricultural science industrial park (the "agricultural industrial park") which comprised various facilities such as the research and development centre, a fruit processing centre and some agri-tourism recreational facilities like restaurant, souvenir shops and accommodation. During the financial year, the fruit processing centre commenced its operations to provide a wide range of functions including fruit washing, packing and storage, which would effectively enhance product quality assurance and brand building.

During the financial year, the revenue of the securities brokerage and margin financing business decreased primarily attributable to the weak Hong Kong capital market. Although the reopening of Chinese economy had boosted the market conditions for a short period of time, the rebound was short-lived and the market was persistently hindered by interest rate hikes and the weak economic growth in China. The Group is scheduling to pull out of this business segment due to weakening capital market conditions, keen competition and expected slow recovery pace in order to cut losses from this business segment. Furthermore, the Group decided to completely terminate its operations in the tourist retailing business because the number of the mainland tourists and their purchasing power were still far below the pre-pandemic levels after the removal of the border restrictions. The termination of this business unit could reduce various operating expenses such as rental expenses and staff salaries.

DIVIDENDS

The Board does not recommend the payment of the final dividend in respect of the year ended 30 June 2023. In view of the unpredictable global, China and Hong Kong economic conditions and future capital requirement, the Board decided to maintain adequate cash reserves to prepare for the ongoing commitments to reinforce existing businesses and investment portfolio, and any unforeseen expenditure that might come up.

LOOKING AHEAD

There are many uncertainties such as the global inflation and the resultant interest hikes, the development of the war in Ukraine, the intensifying tensions among different nations, and the increasingly keen competition, which cast a significant negative outlook and uncertainty over the Group's business performance.

Against the backdrop of the abovementioned uncertainties, the Group will focus on its core businesses and take prudent stance on future development. For the existing traditional trading business, including the FMCG Trading Business and the Agri-Products Trading Business, the Group will continue to reinforce their operations by reinforcing the relationship with existing suppliers, strengthening its procurement network and product portfolio. In view of uncertain economic outlook and surging purchase costs, the Group will effectively adjust selling prices to counteract the increase in purchase costs, and adopt more stringent credit policies to mitigate bad debt-related risks.

For the Upstream Farming Business, the Group will continue to carefully invest in this business unit, and enhance our agricultural skills by reinforcing research and development. The fruit processing centre has commenced its operations during the financial year, it is expected to bring more value to this business unit by facilitating brand building and expanding its distribution network over next few years. As part of the agricultural industrial park being developed, the Group will also carefully develop the agritourism business in line with the market demand and the financial viability.

The Group will keep working hard to improve financial performance by continuously implementing austerity measures, reviewing and improving operational efficiency. Meanwhile, the Group will consistently maintain a healthy and strong financial position and adopt a conservative approach towards capital investments to weather any unexpected headwinds and uncertainties ahead.

CORPORATE SUSTAINABILITY

The Group believes that the business model providing one-stop services from trading, distributing to marketing and selling in the fast moving consumable goods and agri-products in China, supplemented by the upstream cultivations, can provide a high degree of sustainability in its operations. With the support of our strong and healthy financial position, the Group will make continuous efforts to reinforce the sustainability of the operations so as to achieve long-term business growth and objectives.

CHAIRMAN'S STATEMENT

APPRECIATION

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

LAM Kwok Hing
Chairman
Hong Kong, 28 September 2023

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During FY2022/23, 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 ("Agri-Products Trading Business") and the upstream farming business ("Upstream Farming Business") (collectively the "Agri-Products Business"); and (iii) other businesses primarily arising from the securities brokerage and margin financing 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 FY2022/23, the global economy has been facing a number of challenges, persistently high inflation in most of countries triggered a string of tightening measures and interest rate hikes, coupled with Russia-Ukraine war, which led to a sharp slowdown and an enduring setback in the global economic development, especially the emerging market broadly facing financial stress and debt pressure. In China, the Chinese government continued to implement stringent and widespread lockdown measures to curb the novel coronavirus disease 2019 (COVID-19) (the "pandemic") during the first half of FY2022/23. Although China had loosened up the pandemic-related containment measures since December 2022, the post-pandemic economic growth still fell short of expectation. China's GDP grew 5.5% in the first half of 2023, largely thanks to the pandemic-induced low base last year, reflecting the lack of growth momentum after the reopening of the economy. Meanwhile, the jobless rate for the 16–24 age group hit a new high of 21.3% in June 2023, up from 20.8% in May 2023. The retail sales growth had double digit growth in April and May 2023 from a very low base last year, but diminished to merely 3.1% in June 2023, implying consumers remained quite reluctant to spend. On the other hand, 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 12.1% compared to the last financial year, whereas the gross profit margin increased remarkably, primarily attributable to the decrease in the amortisation of other intangible assets recognised through cost of sales as well as the Group's post-pandemic pricing strategy by reducing discounts and promotions.

During the financial year, the Group continued to carefully review our businesses and trim down unprofitable operations. Although the border restrictions between Hong Kong and China had been removed during the first half of 2023, the number of the mainland tourists and their purchasing power were still far below the pre-pandemic levels. Therefore, the Group decided to terminate its operations in the tourist retailing business during the financial year in order to save various operating expenditures such as rental expenses and salaries. On the other hand, the Hong Kong capital market activities were also sluggish and slow despite the reopening of Chinese economy. The underlying weak economic environment persistently hindered the capital market recovery in Hong Kong. Furthermore, the Group has gradually trimmed down its operations in the securities brokerage and margin financing business during the financial year under review in view of the market conditions and its keen competition. The revenue of the securities brokerage and margin financing business decreased by approximately 21.2% compared to the last financial year. The Group is scheduling to pull out of this business segment due to the weakening capital market conditions and its expected slow recovery pace in order to cut losses from this business segment.

On 9 December 2021, the Group completed the acquisition of 17.5% equity interest in First Bullion Holdings Inc. ("First Bullion") as an investment in the virtual asset trading exchange business. During FY2022/23, the digital asset industry experienced significant turbulence such as the collapse of several major exchanges and the escalation in the regulatory reforms initiated by various major regulators across the world. As a result of the high volatility and turbulence in the digital asset industry, and the resultant weak performance of First Bullion, 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$0.4 million which led to an impairment loss of approximately HK$9.5 million for FY2022/23.

Although the impact from the pandemic has been diminishing, the operating environment remained challenging. The high inflation and interest rate environment with low economic growth, the intensifying and persistent political tensions, the rise on protectionism and the increasing competition from domestic brands continuously cast a gloom over the Group's various businesses. The Group will continue to adopt conservative stance on future developments, implement cost-saving initiatives and ensure a strong and healthy financial position to weather any unforeseeable headwinds.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$440.6 million as compared to approximately HK$501.2 million for FY2021/22, representing a fall of approximately 12.1%. The decline in revenues was mainly attributable to the decrease in the revenues from the traditional trading businesses, including the FMCG Trading Business and the Agri-Products Trading Business, as well as the decrease in the revenue contribution from the Upstream Farming Business. The adverse impact from the pandemic was particularly severe in the first half of FY2022/23, during which the Chinese government implemented stringent and widespread lockdown measures that caused significant supply chain disruptions and low market demand. Following the reopening of the economy in the second half of FY2022/23, the operating environment remained challenging, the customers still took cautious stance to place orders amid a weak economy backdrop. On the other hand, the purchase costs for certain import products have been surging significantly, which further put the Group's imported products at a disadvantage, especially considering the increasingly fierce competition from domestic products. In the meantime, the Group gradually normalized and set up post-pandemic pricing strategies by increasing selling prices and reducing discounts that had been offered to our loyal customers during the pandemic, which also reduced sales volume of the Group's traditional trading businesses. On the other hand, the revenue of the securities brokerage and margin financing business also declined primarily due to the weak capital market activities, in particular for the Hong Kong market.

Gross profit margin increased from approximately 4.0% to approximately 7.1% compared to FY2021/22. The increase was mainly attributable to the less amortisation for other intangible assets recognised through cost of sales during FY2022/23. During the last financial year, a substantial amount of other intangible assets, primarily representing rights for distributions whose amortisation were included in cost of sales and selling and distribution expenses, were impaired. As a result, the carrying amount of such other intangible assets and thus its amortisation were lower than those of the last financial year. Additionally, the Group increased selling prices and reduced certain amount of discounts in order to cope with the increase in the purchase costs and normalize the post-pandemic pricing strategies. Although the business volume was unavoidably abated by this move, the gross profit margin recorded an improvement during the financial year under review.

Changes in fair value due to biological transformation increased from approximately HK$31.4 million to approximately HK$41.9 million. The increase was mainly attributable to the increase in the plantation costs and overheads from larger scale of operations.

Other gains and income remained stable at approximately HK$10.1 million compared to approximately HK$10.2 million in FY2021/22. The gains and income mainly represented an interest income of approximately HK$4.3 million derived from the investment in a convertible bond issued by China Healthwise Holdings Limited ("China Healthwise"), an interest income from bank deposits of approximately HK$2.6 million, government grant of approximately HK$1.4 million and other miscellaneous income of approximately HK$1.8 million.

Selling and distribution expenses decreased by approximately 27.9% from approximately HK$42.3 million to approximately HK$30.5 million compared to FY2021/22, representing approximately 6.9% of total revenue (FY2021/22: 8.4%). The decrease in the selling and distribution expenses as a percentage of turnover was mainly attributable to the less amortisation for other intangible assets recognised through selling and distribution expenses during the financial year under review. The commencement of the operations of the new food processing centre in Dongguan also contributed to the decrease in selling and distribution expenses, which effectively lowered the transportation costs thanks to its proximity to various destinations. Additionally, the decrease in sales commission, promotion, and handling and distribution expenses for the traditional trading business, and using more outsourced logistics instead of our own transportation team continuously decreased selling and distribution expenses. 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 0.2% from approximately HK$64.4 million to approximately HK$64.3 million compared to FY2021/22. The slight decrease was a combination of the Group's various cost saving initiatives, the trimming down of some unprofitable operations such as the securities brokerage and margin financing business and the termination of the tourist retailing business and offset by the surging costs such as fixed assets depreciation, energy and office consumables caused by inflation.

MANAGEMENT DISCUSSION AND ANALYSIS

Impairment losses on trade receivables and deposits and other receivables were approximately HK$2.8 million (FY2021/22: HK$3.3 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$97.6 million to approximately HK$27.2 million. The expenses mainly represented a fair value loss on the investments in shares in Global Mastermind Holdings Limited ("Global Mastermind"), shares in First Bullion, and a convertible bond issued by China Healthwise of approximately HK$7.4 million, approximately HK$9.5 million and approximately HK$9.2 million respectively, and exchange losses of approximately HK$1.1 million.

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

Net loss for the year ended 30 June 2023 was approximately HK$125.6 million (FY2021/22: HK$209.2 million). The decrease in the net loss was mainly attributable to a combination of approximately 3.1% increase in gross profit margin, approximately 27.9% decrease in selling and distribution expenses, approximately HK$70.4 million decrease in other operating expenses, and partly offset by approximately 12.1% decrease in turnover and approximately HK$10.5 million increase in changes in fair value due to biological transformation.

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$273.7 million in revenues to the Group for FY2022/23, decreased by approximately 5.8% from that contributed in FY2021/22. The decrease in revenues was primarily attributable to the impact from the pandemic, the weak market demand and the fierce competition against domestic brands. During the financial year under review, the Group faced various difficulties such as supply chain disruptions caused by the pandemic, increase in purchase costs due to inflation and the difficulty in restocking inventories. While our customers placed orders cautiously in the wake of the weak macroeconomic environment and the tight liquidity environment, the Group also adopted more restrictive credit policies, which further decreased the number of order placements.

Notwithstanding the increasingly keen competition from domestic brands, the Group continued 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, but it facilitated normalizing the Group's post-pandemic pricing strategy and maintaining more stable gross profit margins. Additionally, the Group had been acquiring rights for distribution of certain FMCG and fresh fruit products in China and had accounted for as other intangible assets over the years. During the last financial year, a substantial amount of such other intangible assets were impaired because of the business uncertainties caused by the pandemic and weak economic conditions. As a result, the carrying amount of such other intangible assets and its amortisation that were recognised in cost of sales were substantially lower, leading to an improvement in gross profit margin compared to last financial year.

This business unit can be classified into three categories including packaged foods, beverages and household consumable products with their respective contribution of approximately 80%, 15% and 5%. Packaged foods, including biscuits, candies, chocolate, condiments, margarine, milk powder products, healthy food, noodles, snacks, rice and nourishing and exclusively licensed branded products, remained as the most important category, followed by beverage products. The Group continuously reviewed its product portfolio and trimmed down the trading of certain unprofitable products. Going forward, although the operating environment is fraught with challenges such as the surging import costs and the intense competition in the Chinese consumer market, the Group will aim to maintain stable revenue and gross profit margin by using flexible pricing strategy and refining product mix.

MANAGEMENT DISCUSSION AND ANALYSIS

Agri-Products Business

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. This business unit generated approximately HK$163.6 million for the FY2022/23, decreased by approximately 20.8% as compared to approximately HK$206.6 million generated in FY2021/22, primarily attributable to the decrease in the revenue of the Agri-Products Trading Business. The Upstream Farming Business also suffered from the pandemic and weak market demand, thus recording a fall of approximately 10.1% compared to the last financial year.

Agri-Products Trading Business

Similar to the FMCG Trading Business, this business segment was severely affected by the pandemic during the second half of 2022, followed by a wave of COVID-19 outbreak in early 2023 that further depressed business operations and consumer sentiment in the PRC. While the lockdowns and other anti-pandemic measures negatively disrupted its supply chain and logistics, customers took more cautious stance to place orders in view of the short life cycle and perishable nature of agricultural products. The downturn has been deteriorating after the reopening of China, primarily stemmed from the outbreak of COVID-19, weak market demand and tight liquidity conditions. On the other hand, the competition of the fresh produce market in the PRC was very intense as the gap in product quality and product variety between domestic fresh produce and imported fresh produce has been shrinking over past few years, not to mention their price advantage due to rapid increase in purchase costs for imported agricultural products during the financial year under review. As a result, the revenue of the Agri-Products Trading Business, in particular the imported agricultural products, declined noticeably during FY2022/23. In the meantime, the Group has been continuously developing its trading business for domestic fresh produce as a supplementary business to counteract the unstable supply chain and the surging purchase costs for the imported agricultural products. Therefore, the revenue of the trading business for domestic fresh produce remained stable in the midst of the sluggish macro environment, and the percentage of its revenue over the total revenue of the Agri-Products Trading Business recorded a growth compared to the last financial year, primarily attributable to the drop of the imported fresh produce revenue.

During the financial year under review, the new centre for food processing and warehouse storage for agri-products in Dongguan has commenced its operations, which has effectively smoothed the operations by increasing the operation capacity and lower the transportation costs. The new processing centre is equipped with advanced machineries and processing lines where primarily serves the Group's Agri-Products Trading Business in southern China.

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 decreased by approximately 10.1% from approximately HK$15.7 million to approximately HK$14.1 million compared to the last financial year. The decrease was primarily attributable to the pandemic and the weak market demand, but the decline was relatively modest compared to that of the Agri-Products Trading Business, especially compared to the imported agricultural products. Although the impact from the pandemic has been shrinking, the inclement weather and the rising cultivation costs continuously affected the operations of this business segment. Worse still, the increase in domestic production and the weak market demand after the pandemic suppressed the Group's ability to pass on the increased costs to customers. Notwithstanding the above difficulties, the Group's self-grown products have gained tractions over past few years by virtue of the improved cultivation skills and more efficient distribution channels accumulated by years of operations. The Group continued to improve its agricultural skills through strengthening research and development by setting up a research and development centre and cooperating with other external experts.

To facilitate the development of the Upstream Farming Business, the Group has been developing an agricultural science industrial park (the "agricultural industrial park") which comprised various facilities such as the research and development centre, a fruit processing centre and some agri-tourism recreational facilities like restaurant, souvenir shops and accommodation. During the financial year, the fruit processing centre commenced its operations to provide a wide range of functions including fruit washing, packing and storage, which would effectively enhance product quality assurance and brand building. In view of the uncertainties caused by the pandemic and weak macro economic environment, the agri-tourism facilities will be carefully developed based on the pace of market recovery.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Business

The Other Business contains providing securities trading, margin financing and IPO subscription brokerage services through Sino Wealth Securities Limited. The revenue of the securities brokerage and margin financing business, primarily brokerage commission and margin financing interest income, decreased by approximately 21.2% compared to the last financial year. The decrease in the revenue of the securities brokerage and margin financing business was primarily attributable to the weak Hong Kong capital market during the financial year under review. Although the reopening of Chinese economy had boosted the market conditions for a short period of time, the rebound was short-lived and the market was persistently hindered by interest rate hikes and the weak economic growth in China. In view of the market volatility and the increased risks of margin financing business amid the high interest rate environment, the Group has gradually trimmed down its operations in this business unit to reduce various expenses and operation risks. The Group is scheduling to pull out of this business segment due to weakening capital market conditions, keen competition and expected slow recovery pace in order to cut losses from this business segment. On the other hand, the Group decided to completely terminate its operations in the tourist retailing business because the number of the mainland tourists and their purchasing power were still far below the pre-pandemic levels after the removal of the border restrictions. The termination of this business unit could reduce various operating expenses such as rental expenses and staff salaries.

During FY2022/23, the digital asset industry experienced significant turbulence such as the collapse of several major exchanges and the escalation in the regulatory reforms initiated by various major regulators across the world. Many investors have opted to sell or exit digital assets and the demand for securities token offering and cryptocurrency trading has severely decreased. As a result, the business performance of First Bullion has been hit the hardest. The Group's investment in First Bullion was recognised as an investment in financial asset at fair value through profit or loss. As a result of the high volatility and turbulence in the digital asset industry, and the resultant weak performance of First Bullion, 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$0.4 million which led to an impairment loss of approximately HK$9.5 million for FY2022/23.

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 ("AEC Group"), a company listed on GEM of the Stock Exchange (stock code: 8320). As the Group and AEC Group were unable to agree on the terms of the binding agreement within the validity period, the negotiations and discussions between the Group and AEC Group have been terminated. Accordingly, the MOU lapsed on 28 December 2022 and the possible cooperation contemplated under the MOU would not proceed. The lapse of the MOU and the termination of the possible cooperation would not have any material adverse impact to the business or financial position of the Group.

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 summarised 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 China's 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.

2) **Increasing Market Competition**

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

MANAGEMENT DISCUSSION AND ANALYSIS

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.

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 food processing centres and logistics 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. 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 FY2022/23, there was no material and significant dispute between the Group and its employees, suppliers and customers.

MANAGEMENT DISCUSSION AND ANALYSIS

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 FY2022/23, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT INVESTMENT HELD AND ITS PERFORMANCE

At 30 June 2023, the Group held a convertible bond issued by China Healthwise.

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. In October 2018, the Group subscribed a convertible bond issued by China Healthwise for HK$120.0 million and up to 30 June 2023, China Healthwise has redeemed in total HK$47.7 million of the bond. As at 30 June 2023, 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$63.2 million (30 June 2022: HK$72.4 million), representing approximately 5.9% (30 June 2022: 5.9%) of the Group's total assets, and recorded a fair value loss on investment of approximately HK$9.2 million and an interest income of approximately HK$4.3 million during the financial year.

On 17 August 2022, the Group and China Healthwise entered into the second supplemental agreement (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 was held on 7 October 2022 and shareholders' approval was obtained for the Second Supplemental Agreement.

The objective for the above investment is to better utilise the Group's available cash and seek higher interest income and potential capital gain in view of the 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 2023, the Group had interest-bearing borrowings of approximately HK$10.5 million (30 June 2022: HK$12.6 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 2023 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 2022: HK$0.1 million) and pledged bank deposits of certain subsidiaries in carrying amount of approximately HK$12.2 million (30 June 2022: HK$16.2 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 2023, the Group did not have any significant hedging instrument outstanding.

At 30 June 2023, the Group's current assets amounted to approximately HK$591.8 million (30 June 2022: HK$767.7 million) and the Group's current liabilities amounted to approximately HK$85.4 million (30 June 2022: HK$95.1 million). The Group's current ratio maintained at a level of approximately 6.9 at 30 June 2023 (30 June 2022: 8.1). At 30 June 2023, the Group had total assets of approximately HK$1,073.5 million (30 June 2022: HK$1,224.6 million) and total liabilities of approximately HK$103.4 million (30 June 2022: HK$116.2 million) with a gearing ratio of approximately 1.0% (30 June 2022: 1.0%). 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 2023 and 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS FROM RIGHTS ISSUE

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

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 2022	**Utilised during the year ended 30 June 2023**	**Utilised as at 30 June 2023**	**Remaining Proceeds as at 30 June 2023**	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	–	**–**	**12.0**	**–**	by 31 December 2021
(iii) Renovation and equipping of fruit processing centre in Jiangxi	14.0	–	**–**	**14.0**	**–**	by 30 June 2022
(iv) Installation of cold storage and logistics facilities in Jiangxi	17.0	3.9	**3.9**	**17.0**	**–**	by 31 October 2022
(v) Set up of new processing agri-product centre in Dongguan	34.0	3.9	**3.9**	**34.0**	**–**	by 31 December 2022
(vi) Research and development expenses in upstream farming	4.0	–	**–**	**4.0**	**–**	by 31 March 2022
(vii) Set up of an agricultural research and test-lab centre in Jiangxi (Note 1)	6.0	4.5	**3.0**	**4.5**	**1.5**	by 30 June 2024
(viii) Promotion and marketing activities (Note 2)	10.0	6.8	**2.1**	**5.3**	**4.7**	by 30 June 2024
(ix) Set up of an agri-tourism park with various facilities in Jiangxi (Note 3)	27.0	19.7	**10.6**	**17.9**	**9.1**	by 30 June 2024
(x) Working capital and general corporate purposes	3.3	–	**–**	**3.3**	**–**	by 30 June 2022
Total	207.3	38.8	**23.5**	**192.0**	**15.3**	

Notes:

1. 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 30 June 2023 as disclosed in the 2022/23 Interim Report.

2. The expected timeline for the planned use of proceeds of HK$10.0 million for promotion and marketing activities was by 30 June 2023 as disclosed in the 2022/23 Interim Report.

3. 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 2023 as disclosed in the 2022/23 Interim Report.

MANAGEMENT DISCUSSION AND ANALYSIS

REASONS FOR THE DELAY IN USE OF PROCEEDS

Referring to the expected timelines disclosed in the 2022/23 Interim Report, there were delays in expected timelines for certain planned use of proceeds (Notes 1 to 3). These delays were due to the disruption of pandemic and lockdown measures in the PRC during the year ended 30 June 2023, hence these remaining proceeds at 30 June 2023 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 2023, the Group had 280 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 2023, 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 provides various trainings to employees including but not limited to induction training, on-the-job training provided by department heads and sponsorship program for position-related self-education and professional qualification.

SHARE OPTION SCHEME

The Group has adopted a share option scheme on 21 December 2018 of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. During the year ended 30 June 2023, no share options were granted or to be granted, exercised, vested, cancelled nor lapsed and the Company had no share options outstanding or unvested under the share option scheme at 30 June 2023 (30 June 2022: Nil). The number of options available for grant under the share option scheme mandate at 1 July 2022, 30 June 2023 and the date of this report was 187,269,618, which represented approximately 8.9% of the issued shares of the Company at the date of this report.

SHARE AWARD PLAN

The Group has adopted a share award plan (the "Plan") on 12 June 2020 of which the Board may, at its discretion, award shares to eligible participants of the Plan. Since the adoption date of the Plan and up to 13 December 2022, no share award has been made by the Company pursuant to the Plan and the trustee has not purchased any shares for the benefit of the Plan. Given that the Company does no expect to grant any awards under the Plan prior to its expiry and in order to reduce administrative cost, the Board has resolved to terminate the Plan with effect from 13 December 2022 (the "Termination"). No further award shall be granted upon the Termination.

DEVELOPMENT AND PROSPECTS

During FY2022/23, the global economic outlook continued to deteriorate despite the reopening of China's economy. The soaring inflation and interest rates, the deepening real estate crisis in China, geographical tensions and the increasing competition from domestic brands persistently worsen the overall operating environment and cast a gloomy outlook over the Group's businesses.

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 existing suppliers, sourcing more suitable and niche products for the PRC market. In view of uncertain economic outlook and surging purchase costs, the Group will effectively adjust selling prices to counteract the increase in purchase costs, and adopt more stringent credit policies to mitigate bad debt-related risks.

For the Upstream Farming Business, although the inclement weather and rising cultivation costs still pose a threat to the operations, its performance has been improving over past few years thanks to its improving agricultural operations and distribution channels. The Group will continue to carefully invest in this business unit, and enhance our agricultural skills by reinforcing research and development. The fruit processing centre has commenced its operations during the financial year and it is expected to bring more value to this business unit by facilitating brand building and expanding its distribution network over next few years. As part of the agricultural industrial park being developed, the Group will also carefully develop the agri-tourism business in line with the market demand and the financial viability.

MANAGEMENT DISCUSSION AND ANALYSIS

In view of the uncertain global outlook, the Group will adopt a more conservative stance on future business developments and implement cost-saving initiatives to reduce operating costs. The Group will continue to evaluate each business unit for its development plan.

The financial results were hindered by the deteriorating macro environment, and many uncertainties remain elevated in the near future, including the high interest rate environment and the economic slowdown in China. The Group will exert every effort to ensure a strong and healthy financial position to weather any unforeseeable headwinds.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Lam Kwok Hing, *Chairman, Managing Director, Executive Director and Chief Executive Officer*
Mr. Lam Kwok Hing, aged 67, is the Chairman, Managing Director, Executive Director and the Chief Executive Officer. He is a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Lam has been appointed the Executive Director since April 2001 and is the overall strategic visionary of the Group. He also holds certain directorships in the subsidiaries of the Company. Mr. Lam founded the original group company with other founding shareholders in 1994. He manages the strategic planning, corporate policy development, marketing strategy and high level management for the Group's macro business activities. Over the past decade, Mr. Lam was instrumental in shaping the development and evolution of the Group and building the business from a small-scale packaged food trading house to an integrated distribution and logistics enterprise. Since March 2012, the Board has appointed Mr. Lam as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operation. In the context of the challenging business environment, the Board believes that the arrangement would provide the Group with strong and consistent leadership, and allow for effective and efficient planning and implementation of business decisions and strategies which can generate benefits for the Group and the shareholders as a whole. Mr. Lam is the spouse of Ms. Lee Choi Lin Joecy, who is also the Executive Director and co-founder of the Company. Mr. Lam is also a director of Best Global Asia Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Ms. Lee Choi Lin Joecy, *Executive Director*
Ms. Lee Choi Lin Joecy, aged 63, has been appointed the Executive Director since April 2001 and holds certain directorships in the subsidiaries of the Company. Ms. Lee is responsible for the general administration and management of the Group. She has over 20 years' experience in marketing and distribution of fast moving consumer goods. Ms. Lee founded the original group company with other founding shareholders in 1994. Ms. Lee is the spouse of Mr. Lam Kwok Hing, who is the Chairman, Managing Director, Executive Director and the Chief Executive Officer of the Company.

Ms. Gao Qin Jian, *Executive Director*
Ms. Gao Qin Jian, aged 63, has been appointed the Executive Director since January 2012. She also held certain directorships in the subsidiaries of the Company. Ms. Gao received her Bachelor Degree in Business, majoring in business administration from Fudan University in the PRC. She is also a Senior Accountant granted by Shanghai Expertise Qualification Review Committee, Accounting Series. Ms. Gao has over 25 years' experience in accounting and finance, as well as extensive managerial experience in the distribution and logistics industries. Prior to joining the Group in 2004, she was the deputy general manager of one of the renowned retail chain stores in the PRC. Ms. Gao is also the General Manager of the Group overseeing the Group's FMCG Trading Business in northern and eastern regions of the PRC.

Mr. Chan Cheuk Yu Stephen, *Executive Director*
Mr. Chan Cheuk Yu Stephen, aged 46, has been appointed the Executive Director since February 2017 and holds certain directorships in the subsidiaries of the Company. Mr. Chan received his Bachelor's degree with first honour in Financial Economics from Coventry University, UK and a Master's degree in Finance from University of London, Imperial College of Science, Technology and Medicine. He was an executive director of the institutional sales of a reputable brokerage firm immediately prior to joining the Company. He has more than 15 years' experience in investment banking, securities, IPOs, corporate actions and derivatives. Mr. Chan is also a director of Glazy Target Limited, a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. Mok Tsan San, *Executive Director*
Mr. Mok Tsan San, aged 52, has been appointed the Executive Director since July 2022. Mr. Mok holds a Bachelor of Science degree in Civil Engineering from Ohio State University in the United States. He is the managing director of Capital Union Investments Limited, a direct investment firm with a portfolio in Greater China and overseas. With over 20 years of solid experience in fund raising and investment syndication in a number of ventures, he has helped, funded, and/or personally invested in and advised in, among others, a number of Silicon Valley technology companies. Mr. Mok is mainly responsible for formulating strategic development plans and supervising the Group's current and future investment projects. Mr. Mok began his career in Babtie Asia Limited (now named as Jacobs Engineering Group Inc.), an international civil engineering consulting firm as an engineer. Mr. Mok was a founder of Up Marine Holdings Limited, which was focusing on marine business in the Greater China region as well as many other countries in Asia with its position being an innovative company to design, build and distribute creative marine products and services and to promote the marine-related lifestyle. Mr. Mok has been appointed as an executive director and also the authorised representative of CCIAM Future Energy Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange with effect from 1 April 2023. He has also been an executive director of Chinese Strategic Holdings Limited (stock code: 8089) since 12 August 2014. The listing of the shares of Chinese Strategic Holdings Limited on GEM of the Stock Exchange was cancelled with effect from 4 May 2022.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Mak Yun Chu, *Independent Non-executive Director*
Ms. Mak Yun Chu, aged 65, has been appointed the Independent Non-executive Director since April 2004. She is also the Chairman of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Ms. Mak is a fellow member of the Association of Chartered Certified Accountants and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, and has over 20 years' experience in accounting and administration. Ms. Mak has also been an independent non-executive director of Kingkey Financial International (Holdings) Limited (former name "UKF (Holdings) Limited", stock code: 1468), a company listed on the Main Board of the Stock Exchange since March 2016.

Mr. Poon Yiu Cheung Newman, *Independent Non-executive Director*
Mr. Poon Yiu Cheung Newman, aged 69, has been appointed the Independent Non-executive Director since November 2003. He is also a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Mr. Poon received his Bachelor of Arts Degree, majoring in accounting and economics from the University of Alberta in Canada. Mr. Poon was a senior executive in a multinational insurance company and held a senior accounting position in a renowned hotel and has over 30 years' experience in insurance and accounting.

Mr. Hung Hing Man, *Independent Non-executive Director*
Mr. Hung Hing Man, aged 53, has been appointed the Independent Non-executive Director since February 2017. He is also a member of the Audit Committee of the Company. Mr. Hung received his master's degree in Business Administration from the University of Western Sydney. He is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong and the Society of Chinese Accountants and Auditors. Mr. Hung is currently a proprietor of a certified public accountants firm. He has extensive working experience in corporate finance, accounting, auditing and taxation sectors. Mr. Hung has also been an independent non-executive director of China Information Technology Development Limited (stock code: 8178), a company listed on the GEM of the Stock Exchange since April 2015, and has also been appointed as an independent non-executive director of Town Health International Medical Group Limited (stock code: 3886), a company listed on the Main Board of the Stock Exchange since 10 February 2023. He was also an independent non-executive director of REXLot Holdings Limited (In Liquidation) from January 2019 to November 2020. The listing of the shares of REXLot Holdings Limited (In Liquidation) on the Stock Exchange was cancelled with effect from 10 May 2021.

SENIOR MANAGEMENT

Mr. Wong Siu Hong, *Chief Financial Officer and Company Secretary*
Mr. Wong Siu Hong, aged 55, joined the Group in March 2003. Mr. Wong holds a Bachelor Degree in Business, majoring in accounting and commercial law in Australia. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants and the CPA Australia. Prior to joining the Group, Mr. Wong worked in a multinational accounting firm. He has over 20 years' experience in accounting and auditing. He is responsible for the Group's financial planning and management and overseeing the corporate governance function.

Mr. Chu Yi Chit Javin, *Chief Investment and Corporate Relations Officer*
Mr. Chu Yi Chit Javin, aged 46, joined the Group in May 2012. Mr. Chu holds a Master of Science Degree in Accounting and Finance from the London School of Economics with Distinction and a Bachelor of Business Administration Degree from the Hong Kong University of Science and Technology. He is a member of the CFA Institute and a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Mr. Chu had worked for several sizable and renowned corporations. He has over 20 years' experience in corporate finance and accounting. He is responsible for overseeing the Group's project investments and all external communication with the financial and investor community.

Ms. Hung Sau Yung Rebecca, *General Manager for group administration and accounting*
Ms. Hung Sau Yung Rebecca, aged 57, joined the Group in March 1998. Ms. Hung received her Bachelor Degree in Business majoring in accounting from Queensland University of Technology in Australia. Ms. Hung has over 25 years' experience in accounting and administration. Prior to joining the Group, she worked as an administration and accounting manager in a Hong Kong trading company. Ms. Hung was the Executive Director since January 2012 and retired in December 2018. After her retirement, Ms. Hung is the General Manager overseeing the internal financial operations and controls as well as managing the administrative functions of the Group.

DIRECTORS' REPORT

The directors ("Directors") of Heng Tai Consumables Group Limited (the "Company", together with its subsidiaries, the "Group") have pleasure in presenting the annual report and the audited consolidated financial statements for the financial year ended 30 June 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND FINANCIAL POSITION

The results of the Group for the financial year ended 30 June 2023 are set out in the Consolidated Statement of Profit or Loss and Consolidated Statement of Profit or Loss and Other Comprehensive Income on pages 35 and 36.

The state of affairs of the Group as at 30 June 2023 are set out in the Consolidated Statement of Financial Position on pages 37 and 38.

RESERVES

The movements in the reserves of the Group are set out in the Consolidated Statement of Changes in Equity on page 39. The movements in the reserves of the Company are set out in note 35(b) to the consolidated financial statements.

DIVIDENDS

The board of Directors (the "Board") does not recommend the payment of a final dividend to the shareholders of the Company for the financial year ended 30 June 2023 (2022: HK$Nil).

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in note 16 to the consolidated financial statements.

CONSTRUCTION IN PROGRESS

Details of the movements in construction in progress of the Group are set out in note 18 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 33 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 30 June 2023, reserves of the Company available for distribution to the shareholders of the Company were approximately HK$814,939,000 (2022: HK$990,291,000). Under the Companies Law of the Cayman Islands (Cap 22, Law 3 of 1961, consolidated and revised), the share premium account of the Company of approximately HK$2,439,015,000 (2022: HK$2,439,015,000) is distributable to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company will be able to pay its debts as they fall due in the ordinary course of business. The share premium account of the Company may also be distributed in the form of fully paid bonus shares to be issued to members.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales attributable to the Group's five largest customers accounted for less than 30% of the Group's total sales and purchases attributable to the Group's five largest supplying principals accounted for less than 30% of the Group's total purchases for the year.

At all times during the year, no Director, their associate or any shareholder of the Company (which, to the knowledge of the Directors own more than 5% of the Company's issued share capital) had any interests in the major customers or suppliers noted above.

DIRECTORS' REPORT

DIRECTORS

The Directors during the year and up to the date of this report were:

Executive Directors

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Gao Qin Jian
Mr. Chan Cheuk Yu Stephen
Mr. Mok Tsan San (appointed as an Executive Director on 13 July 2022)

Independent Non-executive Directors

Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman
Mr. Hung Hing Man

In accordance with the articles of association of the Company, Ms. Lee Choi Lin Joecy, Mr. Chan Cheuk Yu Stephen and Mr. Poon Yiu Cheung Newman will retire at the forthcoming annual general meeting and, who being eligible, will offer themselves for re-election.

According to Article 112, the Directors shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the shareholders in general meeting. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"), and considers all Independent Non-executive Directors are independent.

UPDATE ON DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

With effect from 10 February 2023, Mr. Hung Hing Man has been appointed as an independent non-executive director of Town Health International Medical Group Limited (stock code: 3886), a company listed on the Main Board of the Stock Exchange.

With effect from 1 April 2023, Mr. Mok Tsan San has been appointed as an executive director and the authorised representative of CCIAM Future Energy Limited (stock code: 145), a company listed on the Main Board of the Stock Exchange.

Details of changes in emoluments of the relevant Directors for the financial year ended 30 June 2023 are set out in note 13 to the consolidated financial statements.

DIRECTORS' SERVICE CONTRACTS

All Directors have entered into service contracts with the Company. Save for Mr. Lam Kwok Hing, Ms. Lee Choi Lin Joecy and Mr. Mok Tsan San, all Directors were appointed for a term of 3 years.

Each of Mr. Lam Kwok Hing and Ms. Lee Choi Lin Joecy entered into service contracts with the Company for an initial term of 3 years commencing on 1 July 2001 renewable automatically for successive terms of 1 year after the expiry of each of the then current term until terminated by not less than 3 months' notice in writing served by either party.

Mr. Mok has entered into a service agreement with the Company for a term of one year commencing from 13 July 2023.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the year.

DIRECTORS' REPORT

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company, other than a contract of service with any director or engagement with any full-time employee, were entered into or subsisted during the year.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2023, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Long Positions

Director	Note	Capacity/nature of interests	Number of ordinary shares in interest	Approximate percentage of the issued shares
Mr. Lam Kwok Hing ("Mr. Lam")	1	Interest in controlled corporation and beneficial interest	277,648,914	13.21%
Ms. Lee Choi Lin Joecy ("Ms. Lee")	1	Family interest	277,648,914	13.21%
Mr. Chan Cheuk Yu Stephen ("Mr. Chan")	2	Interest in controlled corporation	301,060,073	14.33%

Notes:

1. 277,648,914 shares are comprised of (i) 275,078,914 shares which are held by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI") wholly and beneficially owned by Mr. Lam; and (ii) 2,570,000 shares which are held by Mr. Lam as beneficial owner. Ms. Lee is the spouse of Mr. Lam, by virtue of the SFO, Ms. Lee is deemed to be interested in said 277,648,914 shares.

2. 301,060,073 shares are held by Glazy Target Limited ("Glazy Target"), a company incorporated in the BVI wholly and beneficially owned by Mr. Chan.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section titled "Directors' Interests in Securities", at no time during the financial year nor at the end of the financial year were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or where there such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SHARE OPTION SCHEME

Particulars of the share option scheme of the Company are set out in note 36(a) to the consolidated financial statements.

SHARE AWARD PLAN

Particulars of the share award plan of the Company are set out in note 36(b) to the consolidated financial statements.

DIRECTORS' REPORT

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2023, the interests of every person, other than a Director or chief executive of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and to the best knowledge of Directors were as follows:

Long Positions

Substantial shareholder	Note	Capacity/nature of interests	Number of ordinary shares in interest	Approximate percentage of the issued shares
Best Global	1	Beneficial owner	275,078,914	13.09%
Glazy Target	2	Beneficial owner	301,060,073	14.33%
Smart Empire Group Limited	3	Beneficial owner	228,711,000	10.88%
Mr. Tang Ka Siu Johnny	3	Interest in controlled corporation	228,711,000	10.88%

Notes:

1. These shares are in duplicate the interests held by Mr. Lam and Ms. Lee as stated in section "Directors' Interests in Securities".

2. These shares are in duplicate the interests held by Mr. Chan as stated in section "Directors' Interests in Securities".

3. 228,711,000 shares are held by Smart Empire Group Limited, a company incorporated in Republic of Seychelles wholly and beneficially owned by Mr. Tang Ka Siu Johnny.

Save as disclosed above, as at 30 June 2023, no person, other than a Director and chief executive of the Company whose interests are set out in the section titled "Directors' Interests in Securities" above, had any interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this report, the Company maintained a sufficient public float of not less than 25% of the Company's total issued shares held by the public.

TAX RELIEF AND EXEMPTION

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

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, no Director, controlling shareholder or their respective associates (as defined in the Listing Rules) is considered to have any interest in a business which competes or may compete, either directly or indirectly, with the businesses of the Group.

EMOLUMENT POLICY

The Group's remuneration policy was adopted by the Board on the basis of the experience, level of responsibility, contribution and effectiveness of the Group's employees.

The emoluments of the Directors are decided by the Board, as authorised by the shareholders at annual general meetings, having regard to the individual performance, duties and responsibilities with the Company and the prevailing market conditions. All of the Directors' emoluments are covered by the relevant service contract.

The Remuneration Committee was set up in July 2005, advising the Board on the emoluments of the Directors and senior management. The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of which are set out in note 36 to the consolidated financial statements.

DIRECTORS' REPORT

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's articles of association, all the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, cost, charges, losses, damages and expenses which they shall or may incur or sustain. In addition, the Company has arranged for appropriate Directors and officers liability insurance ("D&O Insurance") to indemnify its Directors and officers against liabilities arising out of legal action on corporate activities. The relevant provisions in the D&O Insurance were in force during the financial year ended 30 June 2023 and as of the date of this report.

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

Throughout the financial year ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONNECTED TRANSACTIONS

Pursuant to Rule 14A.72 of the Listing Rules, the related party transactions in relation to the key management personnel remuneration as set out in note 42 to the consolidated financial statements were connected transactions exempt from the connected transactions requirements. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Save for the aforesaid, during the year and up to the date of this report, no connected transactions were entered into between the Company or any of its subsidiaries and a connected person as defined under the Listing Rules.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 112.

BUSINESS REVIEW

Details of business review during the financial year are set out in the section titled "Chairman's Statement" on pages 3 to 5 and "Management Discussion and Analysis" on pages 6 to 15 of this report, and all such discussions form part of this Directors' Report.

CORPORATE GOVERNANCE

Details of the Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 23 to 29.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report is published in a separate electronic form on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.hengtai.com.hk at the same time as the publication of this annual report.

INDEPENDENT AUDITOR

RSM Hong Kong, the independent auditor of the Company, shall retire and a resolution will be submitted to re-appoint RSM Hong Kong as auditor at the forthcoming annual general meeting.

By order of the Board
Lam Kwok Hing
Chairman

Hong Kong, 28 September 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

Heng Tai Consumables Group Limited (the "Company", together with its subsidiaries, the "Group") is committed to establish and maintain good corporate governance practices and procedures which are the important elements for risk management along with the growth and expansion of the Company. The Company emphasises on maintaining and carrying out sound, solid and effective corporate governance principles and structures. The board of directors (the "Directors") (the "Board") believes that a well-balanced corporate governance system enables the Group to achieve business excellence and fulfill the Company's vision and missions, and 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 of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") to its corporate governance structure and practices as described in this report. Throughout the financial year ended 30 June 2023, the Company has complied with all the applicable code provisions of the CG Code, except with deviation from code provision C.2.1, detail of such deviation with considered reasons are set out in the following section titled "Chairman and Chief Executive".

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had fully complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2023.

BOARD OF DIRECTORS

During the year ended 30 June 2023 and up to the date of this report, the Board comprised of the following members:

Executive Directors

Mr. Lam Kwok Hing *(Chairman)*
Ms. Lee Choi Lin Joecy
Ms. Gao Qin Jian
Mr. Chan Cheuk Yu Stephen
Mr. Mok Tsan San (appointed on 13 July 2022)

Independent Non-executive Directors

Ms. Mak Yun Chu
Mr. Poon Yiu Cheung Newman
Mr. Hung Hing Man

In recognition of their contributions and services to the Group, Directors are remunerated with annual directors' fees or monthly salaries that are commensurable with their duties, individual performance and the prevailing market conditions. Directors' fees or salaries are decided by the Board, as authorised by the shareholders in annual general meetings. Directors may also be granted options to subscribe for shares of the Company under the share option scheme of the Company in order to provide them with an opportunity to participate in the equity of the Company and to motivate them to optimise their performance. In addition, all Directors are covered by appropriate insurance on Directors' liabilities from their risk exposure arising from the management of the Group.

Save as disclosed in the section titled "Directors and Senior Management" of this annual report, there is no financial, business, family or other material/relevant relationship between Board members and chief executive.

There is a clear division of responsibilities between the Board and the management. The principal function of the Board is to supervise the overall management of the Company, which includes formulating business strategies, directing and supervising the Company's affairs, approving interim reports and annual reports, announcements of interim and final results and considering dividend policy, major transactions, and other significant operational and financial matters of the Company. The Board has delegated to the management team of day-to-day management, strategies implementation and other administrative and operational matters of the Company and each respective subsidiary. The delegation arrangements of management function are reviewed from time to time to ensure they remain appropriate to the Group's need.

CORPORATE GOVERNANCE REPORT

The Company provided regular financial updates and presentations on the business development of the Group, as well as providing materials and articles explaining on the latest development regarding Listing Rules and other applicable statutory requirements to Directors, including every newly appointed Director, to ensure their contributions to the Board remained informed and relevant. During the year ended 30 June 2023, Mr. Chan Cheuk Yu Stephen, Mr. Mok Tsan San and Mr. Poon Yiu Cheung Newman have participated in appropriate continuous professional development activities by reading materials relating to the Listing Rules, Companies Ordinance and other regulatory updates or journals. In addition to reading regulatory updates, Mr. Lam Kwok Hing, Ms. Lee Choi Lin Joecy, Ms. Gao Qin Jian, Ms. Mak Yun Chu and Mr. Hung Hing Man have also attended continuous professional development courses or seminars related to directors' profession. The Company will continue to arrange or fund trainings for Directors as a continuous professional training programme.

CHAIRMAN AND CHIEF EXECUTIVE

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

NON-EXECUTIVE DIRECTORS

The Board currently includes three Independent Non-executive Directors. At least one of the three Independent Non-executive Directors hold appropriate professional qualifications, or accounting or related financial management expertise set out in rule 3.10(2) of the Listing Rules. More than one-third of the members of the Board are Independent Non-executive Directors. The Company has received from each Independent Non-executive Director an annual confirmation of his/her independence pursuant to rule 3.13 of the Listing Rules and the Company considers each of the three Independent Non-executive Director to be independent.

The Board noted that each of Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman has served the Board for more than 9 years. Save for the aforesaid, each of them fully satisfied with the factors of independence as set out in rule 3.13 of the Listing Rules and there is no evidence that the tenure has had any impact on his/her independence. Accordingly, the Board considers Ms. Mak Yun Chu and Mr. Poon Yiu Cheung Newman are still independent to serve in the capacity of Independent Non-executive Directors. For the purpose of the CG Code, each of their further appointment as an Independent Non-executive Director shall be subject to a separate resolution to be approved by shareholders in general meeting.

All Independent Non-executive Directors were appointed with a specific term of 3 years and are subject to retirement by rotation and re-election at annual general meetings at least once for every three years in accordance with the articles of association of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The articles of association of the Company provided that at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. In addition, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting after his/her appointment and shall then be eligible for re-election at the meeting but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

CORPORATE GOVERNANCE REPORT

DIRECTORS' ATTENDANCE IN MEETINGS

The Board meets regularly for reviewing and discussing the Group's business updates and strategies. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The individual attendance record of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meeting for the financial year ended 30 June 2023 is set out below:

	Number of meetings attended/held				
Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Lam Kwok Hing	4/4	N/A	3/3	2/2	2/2
Ms. Lee Choi Lin Joecy	4/4	N/A	N/A	N/A	2/2
Ms. Gao Qin Jian	4/4	N/A	N/A	N/A	2/2
Mr. Chan Cheuk Yu Stephen	4/4	N/A	N/A	N/A	2/2
Mr. Mok Tsan San (appointed on 13 July 2022)	2/3	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Ms. Mak Yun Chu	4/4	2/2	3/3	2/2	2/2
Mr. Poon Yiu Cheung Newman	4/4	2/2	3/3	2/2	2/2
Mr. Hung Hing Man	4/4	2/2	N/A	N/A	2/2

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibility are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board is collectively responsible for performing the corporate governance duties which include:

(a) to develop, review and implement the Company's policies and practices on corporate governance;
(b) to review and monitor the training and continuous professional development of Directors and senior management;
(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
(d) to develop, review and monitor the code of conduct applicable to employees and Directors;
(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report; and
(f) to oversee environmental, social and governance ("ESG") matters, as well as assessing and managing material ESG risks.

The Group has adopted the Whistleblowing Policy and Anti-bribery & Corruption Policy in order to strengthen the corporate governance system of the Group. The Board has also reviewed the adequacy of staff training, any change of the Group's ESG risks, the effectiveness of communication of monitoring results by the management to the Board and the effectiveness of the Group's financial reporting function. No significant control failings have been identified during the said period.

COMPANY SECRETARY

The Company Secretary's biography is set out in the "Directors and Senior Management" section of the Annual Report. During the year, the Company Secretary confirms that he has taken not less than 15 hours of professional training to update his skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

The members of the Audit Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Mr. Hung Hing Man, Independent Non-executive Director

The Audit Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to reviewing the Group's financial reporting system, the internal control procedures and the Group's consolidated financial statements, as well as the independence of external auditor.

During the financial year ended 30 June 2023, the Audit Committee held 2 meetings with all committee members attended and the external auditor, internal audit function and senior management joined to review and discuss the interim and annual consolidated financial statements of the Group. They have also reviewed and considered the accounting principles and practices being adopted, internal control and financial reporting matters as well as the appointment and independence of external auditor.

The unaudited consolidated financial statements of the Group for the six months ended 31 December 2022 have been reviewed and approved by the Audit Committee. For the financial year ended 30 June 2023, the Audit Committee reviewed with external auditor, internal auditor and senior management the annual results of the Group as well as the accounting principles and practices being adopted, internal control and financial reporting matters.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee in July 2005. The members of the Remuneration Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Mr. Lam Kwok Hing, Executive Director

The Remuneration Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to making recommendations to the Board on the Company's remuneration policy and structure for all Directors and senior management, reviewing and recommending to the Board the remuneration package of individual Executive Directors and senior management, and reviewing and/or approving matters relating to share schemes under Listing Rules.

The Remuneration Committee held 3 meetings with all committee members attended during the financial year ended 30 June 2023, for proposing remuneration of a new Director, assessing the performance of Executive Directors, reviewing and discussing the present remuneration structure of the Group and has made recommendations to the Board in relation to the salaries, bonuses, allowances, share options, trainings and retirement benefits scheme contributions paid to the Directors and senior management of the Group, taking into account the individual performance, time commitment, duties and responsibilities with the Company and the prevailing market condition. It has also discussed for the termination of share award plan and reviewed the terms and conditions of the share option scheme under the requirements of the Listing Rules.

Remuneration of Directors and Senior Management

Pursuant to code provision of the CG Code, the remuneration of the members of the senior management by band for the year ended 30 June 2023 is set out below:

Remuneration Bands (HK$)	Number of individuals
1,000,001–1,500,000	1
1,500,001–2,000,000	2

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 13 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

NOMINATION COMMITTEE

The Company established the Nomination Committee in July 2005. The members of the Nomination Committee are:

Ms. Mak Yun Chu, Independent Non-executive Director *(Chairman)*
Mr. Poon Yiu Cheung Newman, Independent Non-executive Director
Mr. Lam Kwok Hing, Executive Director

The Nomination Committee was established with specific written terms of reference. The responsibilities and authorities include but not limited to making recommendations to the Board on the appointment or re-election of Directors and assessing the independence of Independent Non-executive Director.

During the financial year ended 30 June 2023, the Nomination Committee held 2 meetings with all committee members attended, for reviewing the structure, size and composition including the gender, skills, knowledge and experience of the Board, assessing the independence of the Independent Non-executive Directors, and making recommendations to the Board on the appointment of a new Director and re-election of Directors taking into account the candidates' commitment to their respective roles and functions and a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service according to the Nomination Policy and Board Diversity Policy adopted by the Board in August 2013.

The Nomination Policy of the Company sets out the nomination procedures, the process and criteria adopted by the Nomination Committee to select and recommend candidates for directorship to the Board. According to the Nomination Policy, the Nomination Committee reviews the structure, size and composition of the Board and make recommendation on any proposed changes to the Board to complement the Company's corporate strategy. When it is necessary to fill a casual vacancy or appoint an additional director, the Nomination Committee identifies or selects candidates, or engage independent search firm to help identify potential candidates pursuant to the nomination criteria. If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the interviews with each candidate and make recommendation to the Board for its consideration and approval. The criteria that the Nomination Committee shall give due consideration include but not limited to the candidate's character and integrity, qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy, the candidate's financial, business, family or other relevant relationship with any member of the Board, and the number of listed company directorships of the candidate which may affect the sufficiency of time devotion of the candidate to the Board matters.

The Board Diversity Policy, aims at setting out the approach on diversity of the Board, is also one of the factors of consideration during the nomination or re-election of Board members. The Company believes that a diversified perspective can be achieved through implementation of the Board Diversity Policy. In designing the Board's composition or in recommending candidates for appointment to the Board and re-election of Directors the Nomination Committee will consider a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on objective criteria, merit and contribution that the selected candidates will bring to the Board having due regard for the benefits of diversity on the Board. During the year, the Nomination Committee and the Board have reviewed the implementation and effectiveness of the Board Diversity Policy. As at the date of this report, we had three female Directors and five male Directors on the Board, and the Board considered this a balanced gender parity and targets to maintain a level of around 30% of female representation on the Board when considering re-election or succession of Directors. The gender ratio (male:female) in the workforce including senior management was approximately 49:51.

The Nomination Committee also reviewed and considered the mechanisms ensuring independent views and input are provided to the Board. Such mechanisms include considering engaging independent search firm to help identify potential candidates for succession planning of Directors, abstaining interested Director from voting for board matters so as to avoid conflicts of interest, and facilitating Directors on making informed board decisions. All Directors are entitled to have access to board papers and related materials, and to make further enquiries with senior management where necessary. They are also entitled to seek advice from independent professional advisers at the Company's expense.

CORPORATE GOVERNANCE REPORT

INTERNAL CONTROL AND RISK MANAGEMENT

The Board believes that a well-designed system of internal control is crucial to safeguard the assets of the Group and to ensure reliability of the financial reporting as well as compliance with the relevant rules and regulations. The Board acknowledges the overall responsibilities for the Group's internal control, financial control and risk management system and monitor the effectiveness regularly as well as the scopes of the internal audit reviews according to risk assessment. Special reviews from internal audit function may also be performed on areas of concern identified by management or the Audit Committee from time to time. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing risk management approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievements of its objectives. The Group established a risk management framework that the Board and management discuss potential risks during board meetings and management meetings regularly. Management from different subsidiaries and departments voluntarily raise any issues that need attention and further discussions. The Board and key management are closely involved in daily operation and monitor the potential risks with their understanding of the industry. When risks arise during business operations, they are assessed at management meetings and risk management actions are taken for significant risks. The Group prioritizes risks identified during management meetings and significant risks are handled at once. Progress on the risks identified at previous meetings is followed up.

The Board has performed an annual review over the effectiveness of the internal control system of the Group including functions of financial, operation, compliance and risk management for the financial year ended 30 June 2023. The review showed a satisfactory result. The Company considered the internal control and risk management systems effective and adequate. The Directors shall, where necessary, initiate appropriate procedures to improve and reinforce the risk management internal control system.

The Company has established and implemented relevant procedures and internal controls for the handling and dissemination of inside information, including restricting employee access to inside information on a need-to-know basis and ensuring that those who need to know understand the obligation of keeping the information confidential. All inside information is disclosed to the public pursuant to the requirements under the Securities and Futures Ordinance and the Listing Rules and kept strictly confidential before disclosure.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") with effect from 1 January 2019. According to the Dividend Policy, the Board shall, before proposing and declaring dividends, consider a number of factors such as the Group's financial performance, liquidity position, working capital requirements, future expansion plan and general economic conditions that may have an impact on the business or financial performance and position of the Group. The declaration and payment of dividends by the Company is also subject to any restrictions under the laws of the Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules and regulations. The Company does not have any pre-determined dividend distribution ratio.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company recognises the importance of good communication with the shareholders. Information in relation to the Group is disseminated to the shareholders in a timely manner through financial reports, announcements and circulars of the Company. Annual and interim reports offer comprehensive information to shareholders on operational and financial performance whereas annual general meetings provide a forum for shareholders to exchange views directly with the Board. The Company regards annual general meetings as important events and all Directors (including Independent Non-executive Directors), senior management and external auditor shall make an effort to attend such meetings to address shareholders' queries. All shareholders are given a minimum of 21 clear days' notice of the date, venue and agenda of annual general meetings. All resolutions put to vote at the Company's general meetings are taken by poll. Poll results are published on the websites of the Company and the Stock Exchange.

In accordance with the articles of association of the Company, one or more shareholders holding, at the date of the deposition of requisition, not less than one-tenth of the paid up capital of the Company having the right to vote at general meetings may request by writing for the attention of the Directors or the Secretary to convene extraordinary general meetings within 21 days of deposit of such requisition and put forward proposals at such meetings. The purposes of the meetings and the businesses to be transacted in the meeting must be specified in the requisition and lodged with the principal place of business of the Company at 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong.

CORPORATE GOVERNANCE REPORT

As regards proposing a person for election as a director, please refer to the procedures as set out in (i) the articles of association of the Company available on the websites of the Company and the Stock Exchange; and (ii) the guidelines titled "Procedures for Shareholders to Propose a Person for Election as a Director of the Company" on the Company's website.

Enquiries

Shareholders who intend to put forward their enquiries about the Company to the Board could email their enquiries to ir@hengtai.com.hk.

For share registration related matters, please contact Union Registrars Limited at (852) 2849 3399, the branch share registrar and transfer office of the Company in Hong Kong.

INVESTOR RELATIONS

The Company has established an Investor Relations Policy, which describes the general guidelines and defines the responsibilities in relation to the handling of material information and the communication with financial market and shareholders. It is in the interest of the Company to maintain effective communication with the financial community and other stakeholders in order to achieve a fair valuation on the Company's securities and at the same time, enhance shareholders' value. The critical element of effective communication process is to provide accurate, complete and transparent information of the Company, along with a timely update on any material changes that occur. The integrity of the capital market is based on full and fair disclosure so that all investors and shareholders have equal access to material information of the Company. The Board was satisfied with the review of the implementation and effectiveness of this policy, which could effectively provide a two-way communication platform by the Company with the investors and shareholders by way of regular meetings and timely update of the Company's financial results and developments.

CONSTITUTIONAL DOCUMENTS

On 1 January 2022, the Listing Rules were amended by, among other things, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix 3 of the Listing Rules. On 29 December 2022, an annual general meeting was held and shareholders' approval was obtained to approve the adoption of a set of amended and restated articles of association (the "Articles"), which incorporates all of the proposed amendments to, amongst others, (i) make them conform to the said core standards for shareholder protections; (ii) allow a general meeting to be held in the form of an electronic meeting or a hybrid meeting; (iii) bring the Articles in line with amendments made to the Listing Rules and the applicable law in the Cayman Islands; (iv) incorporate various consequential and housekeeping changes; and (v) update and clarify provisions where it is considered desirable. The memorandum and articles of association of the Company are available for viewing on the websites of the Company and the Stock Exchange.

AUDITORS' SERVICES AND REMUNERATION

An analysis of the remuneration payable to the Group's independent auditors to perform audit and non-audit services for the financial year ended 30 June 2023 is as follows:

Services rendered

	2023 **HK$'000**	2022 HK$'000
Audit service	**2,608**	2,619
Non-audit services	**181**	–
	2,789	2,619

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the accounts for each financial period which give a true and fair view of the state of affairs of the Group and to present a balanced, clear and understandable assessment of the financial results and disclosures of the Group under the Listing Rules and other rules and statutory requirements.

AUDITOR'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The responsibilities of the independent auditor to the shareholders are set out in the Independent Auditor's Report from pages 30 to 34.

INDEPENDENT AUDITOR'S REPORT

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

TO THE SHAREHOLDERS OF
HENG TAI CONSUMABLES GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Heng Tai Consumables Group Limited and its subsidiaries (the "Group") set out on pages 35 to 111, which comprise the consolidated statement of financial position as at 30 June 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment assessment of agri-products business segment assets

2. Impairment assessment of fast moving consumer goods ("FMCG") trading business segment assets

Key Audit Matter	How our audit addressed the Key Audit Matter
1. Impairment assessment of agri-products business segment assets	
Refer to note 9 to the consolidated financial statements. The Group has segment assets attributable to the cultivation, sale and trading of agri-products business segment with total carrying amount of approximately HK$495.7 million as at 30 June 2023 before recognition of impairment losses during the year. During the year, the agri-products business incurred a continuous segment loss which increases the risk that its segment assets may be impaired. The recoverable amount of the agri-products business segment assets was based on a calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement. Based on the value in use calculation, there is no impairment need to be recognised for current year as the recoverable amount exceeds its carrying amount. The impairment assessment of agri-products business segment assets is our area of focus given it is subject to significant management judgement and estimation which are subjective.	We obtained an understanding of the management's internal control and assessment process of impairment assessment of agri-products business segment assets, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity. We evaluated the key controls in respect of impairment assessment of agri-products business segment assets. Our procedures in relation to management's impairment assessment included: • Assessing the integrity of the valuation model; • Evaluating the historical accuracy of forecast by, for example, comparing the forecast used in prior years model to the actual performance of agri-products business segment in the current year; • Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business; • Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and • Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS *(CONTINUED)*

Key Audit Matter *(Continued)*

2. **Impairment assessment of FMCG trading business segment assets**

Refer to note 9 to the consolidated financial statements.

The Group has segment assets attributable to the FMCG trading business segment with total carrying amount of approximately HK$390.8 million as at 30 June 2023 before recognition of impairment losses during the year.

During the year, the FMCG trading business recorded a decline in revenue and incurred a continuous segment loss which increases the risk that its segment assets may be impaired.

The recoverable amount of the FMCG trading business segment assets was based on a calculation of value in use which requires management to make assumptions about the future including budgeted sales, gross profit ratio and growth rates and to determine an appropriate market discount rate. These estimates require significant management judgement.

Based on the value in use calculation, there is no impairment need to be recognised for current year as the recoverable amount exceeds its carrying amount.

The impairment assessment of FMCG trading business segment assets is our area of focus given it is subject to significant management judgement and estimation which are subjective.

How our audit addressed the Key Audit Matter *(Continued)*

We obtained an understanding of the management's internal control and assessment process of impairment assessment of FMCG trading business segment assets, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors including subjectivity.

We evaluated the key controls in respect of impairment assessment of FMCG trading business segment assets.

Our procedures in relation to management's impairment assessment included:

- Assessing the integrity of the valuation model;
- Evaluating the historical accuracy of forecast by, for example, comparing the forecast used in prior years model to the actual performance of FMCG trading business segment in the current year;
- Assessing the reasonableness of the key assumptions based on the current operating environment and our knowledge of the business;
- Reconciling input data to supporting evidence, including approved budgets and considering the accuracy of previous management budgets; and
- Assessing the appropriateness of the discount rate with the assistance of our internal valuation specialists.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Wo Cheung.

RSM Hong Kong
Certified Public Accountants
28 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2023

	Note	**2023 HK$'000**	2022 HK$'000
Revenue	7	**440,600**	501,218
Cost of sales		**(409,124)**	(481,374)
Gross profit		**31,476**	19,844
Changes in fair value due to biological transformation	25	**(41,896)**	(31,375)
Other gains and income	8	**10,073**	10,194
Selling and distribution expenses		**(30,532)**	(42,321)
Administrative expenses		**(64,279)**	(64,401)
Impairment losses on trade receivables and deposits and other receivables		**(2,804)**	(3,253)
Other operating expenses		**(27,217)**	(97,623)
Loss from operations		**(125,179)**	(208,935)
Finance costs	10	**(550)**	(436)
Loss before tax		**(125,729)**	(209,371)
Income tax credit	11	**133**	215
Loss for the year	12	**(125,596)**	(209,156)
Attributable to:			
Owners of the Company		**(125,596)**	(216,128)
Non-controlling interests		**–**	6,972
		(125,596)	(209,156)
Loss per share	15		
Basic		**HK(6 cents)**	HK(11 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	2023 HK$'000	2022 HK$'000
Loss for the year	**(125,596)**	(209,156)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**(912)**	6,776
Deferred tax liability on revaluation of buildings	**228**	(1,694)
	(684)	5,082
Items that have been or may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(14,027)**	(4,470)
Exchange differences reclassified to profit or loss on deregistration of subsidiaries	**72**	–
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 ("FVTOCI")	**–**	(1,977)
Release of reserve upon redemption of financial assets at FVTOCI	**1,915**	–
	(12,040)	(6,118)
Other comprehensive income for the year, net of tax	**(12,724)**	(1,036)
Total comprehensive income for the year	**(138,320)**	(210,192)
Attributable to:		
Owners of the Company	**(138,320)**	(217,155)
Non-controlling interests	**–**	6,963
	(138,320)	(210,192)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	**2023 HK$'000**	2022 HK$'000
ASSETS			
Non-current assets			
Fixed assets	16	**207,485**	188,675
Right-of-use assets	17	**41,082**	46,713
Construction in progress	18	**70,299**	107,986
Bearer plants	19	**89,473**	94,480
Goodwill	20	**–**	–
Other intangible assets	21	**374**	374
Other assets	22	**673**	205
Investment in a club membership	23	**108**	108
Investments	24	**63,504**	9,922
Deferred tax assets	32	**8,733**	8,380
		481,731	456,843
Current assets			
Biological assets	25	**17,878**	23,626
Inventories	26	**105,317**	117,842
Trade receivables	27	**202,298**	253,054
Prepayments, deposits and other receivables		**120,196**	99,465
Investments	24	**4,877**	108,188
Pledged bank deposits	28	**12,183**	16,167
Client trust bank balances	28	**7,199**	3,715
Bank and cash balances	28	**121,830**	145,656
		591,778	767,713
TOTAL ASSETS		**1,073,509**	1,224,556
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	33	**210,141**	210,141
Reserves	35(a)	**759,929**	898,249
		970,070	1,108,390
Non-controlling interests		**–**	(41)
Total equity		**970,070**	1,108,349

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	Note	2023 HK$'000	2022 HK$'000
Non-current liabilities			
Lease liabilities	31	**5,687**	7,845
Deferred tax liabilities	32	**12,367**	13,308
		18,054	21,153
Current liabilities			
Trade payables	29	**64,106**	69,470
Accruals and other payables		**9,197**	10,116
Borrowings	30	**10,460**	12,585
Lease liabilities	31	**1,622**	2,883
		85,385	95,054
Total liabilities		**103,439**	116,207
TOTAL EQUITY AND LIABILITIES		**1,073,509**	1,224,556
Net current assets		**506,393**	672,659
Total assets less current liabilities		**988,124**	1,129,502

Approved by the Board of Directors on 28 September 2023 and are signed on its behalf by:

LAM Kwok Hing
Chairman

CHAN Cheuk Yu Stephen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Attributable to owners of the Company										
	Share capital (note 33) HK$'000	Share premium account (note 35(c)(i)) HK$'000	Legal reserve (note 35(c)(ii)) HK$'000	Foreign currency translation reserve (note 35(c)(iii)) HK$'000	Property revaluation reserve (note 35(c)(iv)) HK$'000	FVTOCI reserve (note 35(c)(v)) HK$'000	Special reserve (note 35(c)(vi)) HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2021	187,270	2,389,536	97	103,265	13,352	62	(86,094)	(1,305,729)	1,301,759	(15,895)	1,285,864
Loss for the year	–	–	–	–	–	–	–	(216,128)	(216,128)	6,972	(209,156)
Other comprehensive income	–	–	–	(4,132)	5,082	(1,977)	–	–	(1,027)	(9)	(1,036)
Total comprehensive income for the year	–	–	–	(4,132)	5,082	(1,977)	–	(216,128)	(217,155)	6,963	(210,192)
Issue of shares for acquisition of investment (note 33)	22,871	915	–	–	–	–	–	–	23,786	–	23,786
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	8,891	8,891
	22,871	915	–	–	–	–	–	–	23,786	8,891	32,677
At 30 June 2022	210,141	2,390,451	97	99,133	18,434	(1,915)	(86,094)	(1,521,857)	1,108,390	(41)	1,108,349
At 1 July 2022	**210,141**	**2,390,451**	**97**	**99,133**	**18,434**	**(1,915)**	**(86,094)**	**(1,521,857)**	**1,108,390**	**(41)**	**1,108,349**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(125,596)**	**(125,596)**	**–**	**(125,596)**
Other comprehensive income	**–**	**–**	**–**	**(13,955)**	**(684)**	**1,915**	**–**	**–**	**(12,724)**	**–**	**(12,724)**
Total comprehensive income for the year	**–**	**–**	**–**	**(13,955)**	**(684)**	**1,915**	**–**	**(125,596)**	**(138,320)**	**–**	**(138,320)**
Deregistration of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**86,094**	**(86,094)**	**–**	**41**	**41**
At 30 June 2023	**210,141**	**2,390,451**	**97**	**85,178**	**17,750**	**–**	**–**	**(1,733,547)**	**970,070**	**–**	**970,070**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(125,729)**	(209,371)
Adjustments for:		
Amortisation of other intangible assets	**–**	15,454
Changes in fair value due to biological transformation	**41,896**	31,375
Depreciation of fixed assets, net of amount capitalised	**17,005**	14,183
Depreciation of right-of-use assets, net of amount capitalised	**10,295**	12,565
Finance costs	**550**	436
Gain on early termination of leases	**(46)**	–
Loss on deregistration of subsidiaries, net	**47**	–
Loss on disposal of fixed assets, net	**1**	–
Loss on disposal of subsidiaries, net	**–**	30
Loss on redemption of financial assets at fair value through profit or loss ("FVTPL"), net	**–**	428
Interest income	**(7,079)**	(7,368)
Impairment loss on trade receivables	**3,485**	2,624
Reversal of impairment loss on trade receivables	**(7)**	(2,239)
Impairment loss on prepayment, deposits and other receivables	**–**	12,221
Reversal of impairment loss on other receivables	**(674)**	(3,623)
Impairment loss on fixed assets	**–**	16,085
Impairment loss on right-of-use assets	**–**	1,765
Impairment loss on goodwill	**–**	10,564
Impairment loss on other intangible assets	**–**	39,398
Impairment loss on other assets	**–**	3,663
Fixed assets written off	**358**	775
Other receivables written off	**–**	1,459
Fair value loss on financial assets at FVTPL, net	**26,144**	17,170
Operating loss before working capital changes	**(33,754)**	(42,406)
Increase in biological assets	**(16,942)**	(14,721)
Decrease in inventories	**26,664**	29,465
(Increase)/decrease in other assets	**(468)**	7,793
(Increase)/decrease in client trust bank balances	**(3,484)**	1,175
Decrease in trade and other receivables, prepayments and deposits	**28,063**	8,472
Decrease in trade and other payables	**(6,217)**	(7)
Proceeds from redemption of financial assets at FVTPL	**–**	8,700
Cash used in operations	**(6,138)**	(1,529)
Income tax refund	**–**	380
Interest paid	**(150)**	(42)
Interest on lease liabilities	**(400)**	(394)
Net cash used in operating activities	**(6,688)**	(1,585)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	2023 HK$'000	2022 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**3,750**	3,886
Payments for right-of-use assets	**(10,220)**	–
Proceeds from redemption of financial assets at FVTOCI	**25,500**	–
Proceeds from disposal of fixed assets	**182**	–
Payments for disposal of subsidiaries, net	**–**	(1)
Purchases of fixed assets	**(6,135)**	(9)
Purchase of other intangible assets	**–**	(22,620)
Decrease in pledged bank deposits	**3,984**	929
Decrease/(increase) in time deposits with original maturity over three months	**44,281**	(45,222)
Additions to construction in progress	**(21,875)**	(50,324)
Net cash generated from/(used in) investing activities	**39,467**	(113,361)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of bank loans	**(32,000)**	(27,000)
Drawdown of bank loans	**30,000**	24,000
Decrease in import loans	**(125)**	(125)
Principal elements of lease payments	**(2,284)**	(2,868)
Net cash used in financing activities	**(4,409)**	(5,993)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**28,370**	(120,939)
Effect of foreign exchange rate changes	**(7,915)**	(2,050)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**100,434**	223,423
CASH AND CASH EQUIVALENTS AT END OF YEAR	**120,889**	100,434
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	**121,830**	145,656
Less: Time deposits with original maturity over three months	**(941)**	(45,222)
	120,889	100,434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL INFORMATION

Heng Tai Consumables Group Limited (the "Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The address of its principal place of business is 31st Floor, Guangdong Finance Building, 88 Connaught Road West, Sheung Wan, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs and annual improvements issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018-2020

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

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

The Group has not applied any amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on 1 July 2022. The amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKAS 12 — International Tax Reform — Pillar Two Model Rules	1 January 2023 (except for HKAS 12 paragraph 4A and 88A which are immediately effective upon issue of the amendments)
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. buildings, biological assets and certain financial instruments that are measured at fair value).

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests ("NCI") represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. NCI are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. NCI are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the NCI having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and NCI are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(b) Separate financial statements

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss. Cost includes direct attributable costs of investments. The result of the subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividends exceed the total comprehensive income of the subsidiaries in the period the dividends are declared or if the carrying amount of the investments in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investees' net assets including goodwill.

(c) Goodwill

Goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to its recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non- monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

— assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

— income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

— all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Fixed assets

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(e) Fixed assets *(Continued)*

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

Buildings	The shorter of the lease terms and 50 years
Farmland infrastructure	4–20 years
Leasehold improvements	5–10 years
Plant and machinery	5–20 years
Furniture, office equipment and motor vehicles	5–10 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Construction in progress represents buildings and farmland infrastructure under construction and plant and machinery pending installation, and is stated at cost less impairment losses. Depreciation begins when the relevant assets are available for use.

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Bearer plants

Bearer plants consist of mature trees and infant trees in the Group's plantations in the People's Republic of China (the "PRC"). The role of the mature trees is to supply fruits through the processes of growth in each production cycle. The infant trees are held for transforming into mature trees.

Expenditure that are attributable to the biological growth of infant trees, such as depreciation of fixed assets, depreciation of right-of-use assets, and management fees are recognised as additions to bearer plants until the stage such infant trees start bearing fruits.

Infant trees are undergoing biological transformation leading to them being able to produce fruits. Infant trees are carried at cost less any recognised impairment loss. Once infant trees become mature and productive, they will be transferred to the category of mature trees and depreciation commences. Mature trees are depreciated using straight-line method over their expected useful lives of 12 to 27 years.

Bearer plants are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Any gain or loss arising on the disposal of the bearer plants is determined as the difference between the sales proceeds and carrying amount of the bearer plants and is recognised in profit or loss.

(g) Leases

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leases *(Continued)*

(i) The Group as a lessee

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

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

— where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

— uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the subsidiaries of the Group, which does not have recent third-party financing; and

— makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(g) Leases *(Continued)*

(i) The Group as a lessee (Continued)

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

(ii) The Group as a lessor

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

(h) Other intangible assets

Other intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives of 2.5 to 10 years. Other intangible asset with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the intangible asset has suffered an impairment loss.

(i) Club membership

Club membership with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the club membership has suffered an impairment loss.

(j) Biological assets

Biological assets comprise fresh fruit bunches before harvest in leased farms and are classified as current assets due to short harvesting period.

Biological assets are measured at fair value less costs to sell from initial measurement up to the point of harvest, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are held at cost less accumulated impairment losses. Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in the consolidated statement of profit or loss.

The infant trees and mature trees are presented and accounted for as bearer plants, see note 4(f). However, the fresh fruit bunches growing on the fruit trees is accounted for as biological assets until the point of harvest. Harvested fresh fruit bunches are transferred to inventories at fair value less costs to sell when harvested. Fair value at the point of harvest is based on the selling prices for similar fruits prevailing in the market as at or close to the harvest dates.

Costs to sell include the incremental selling costs, including commission paid to brokers and dealers and estimated costs of transport to the market but exclude finance costs and income taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average basis and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Recognition and derecognition of financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(m) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

— FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses ("ECL"), interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(m) Financial assets *(Continued)*

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non- recycling) is transferred to accumulated losses. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

(n) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of consolidated statement of cash flows. Cash and cash equivalents are assessed for ECL.

(p) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Revenue and other income

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

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

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

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

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income is recognised when the shareholders' rights to receive payment are established.

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

(t) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(t) Employee benefits *(Continued)*

(ii) Retirement benefits schemes

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds. For the year ended 30 June 2023, 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.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(u) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

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

(v) Government grants

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(w) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends either to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(x) Impairment of non-financial assets

Other intangible assets that have an indefinite useful life or that are not yet available for use are reviewed for impairment annually and whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

The carrying amounts of other non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(y) Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade and other receivables, pledged bank deposits and bank and cash balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables arising from trading and cash client receivables arising from dealing in securities. The ECL on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For trade receivables from margin clients in which arising from margin financing and all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the trade receivables from margin clients and financial instrument have not increased significantly since initial recognition, the Group measures the loss allowance for them at an amount equal to 12-month ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Significant increase in credit risk (Continued)
In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor; and

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due (except for trade receivables from dealing in securities and margin financing which the Group holds the trading shares as collaterals), unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

— probable bankruptcy entered, breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are long-aged past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

Measurement and recognition of ECL (Continued)

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amounts through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

(z) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(aa) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in note 4, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements apart from those involving estimations, which are dealt with below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

Critical judgements in applying accounting policies *(Continued)*

(a) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals and another portion that is held for use in trading of fast moving consumer goods ("FMCG") and agri-products and administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in trading of FMCG and agri-products and administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgement.

(b) Operation of agricultural activities

The Group entered into subcontracting and management agreements for establishment and subsequent maintenance of its fruit trees cultivation and plantation. The directors considered that the Group has been engaging into agricultural activities as the Group has exercised its control on the cultivation development and process although the maintenance work is assigned to subcontractors. Therefore, the Group recognised the biological assets at fair value less costs to sell at initial recognition and at the end of the reporting period under HKAS 41 "Agriculture".

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the solely payments of principal and interest and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or FVTOCI that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

(d) Significant increase in credit risk

As explained in note 4(y), ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

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

The carrying amounts of FMCG trading business segment assets and agri-products business segment assets at the end of the reporting period were approximately HK$390,767,000 (2022: HK$418,113,000) and HK$495,660,000 (2022: HK$546,820,000) respectively after impairment losses. Impairment losses of HK$Nil (2022: HK$49,392,000) and HK$Nil (2022: HK$17,249,000) were recognised to FMCG trading business segment assets and agri-products business segment assets respectively during the year.

(b) *Fixed assets and depreciation*

The Group determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of fixed assets as at 30 June 2023 was approximately HK$207,485,000 (2022: HK$188,675,000).

(c) *Other intangible assets and amortisation*

The Group determines the estimated useful lives and related amortisation charges for the Group's other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions. The Group will revise the amortisation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of other intangible assets as at 30 June 2023 was approximately HK$374,000 (2022: HK$374,000).

(d) *Income taxes*

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, income tax of approximately HK$133,000 (2022: HK$215,000) was credited to profit or loss based on the estimated profit.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

Key sources of estimation uncertainty *(Continued)*

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

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and deposits and other receivables based on their credit risks. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 30 June 2023, the carrying amounts of trade receivables and deposits and other receivables were approximately HK$202,298,000 and HK$96,366,000 respectively, net of accumulated impairment losses of approximately HK$25,881,000 and HK$23,790,000 respectively (2022: HK$253,054,000 and HK$87,653,000 respectively, net of accumulated impairment losses of approximately HK$22,403,000 and HK$33,431,000 respectively).

(f) *Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the aging and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 30 June 2023 (2022: HK$Nil).

(g) *Fair value of buildings*

The Group appointed an independent professional valuer to assess the fair value of buildings. In determining the fair value of buildings, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their best estimation and judgements and are satisfied that the method of valuation and inputs used are reflective of its fair value and current market conditions.

The carrying amount of the buildings as at 30 June 2023 was approximately HK$87,810,000 (2022: HK$99,298,000).

(h) *Fair values of unlisted equity securities at FVTPL and unlisted debt investments at FVTPL*

The Group appointed independent professional valuers to assess the fair values of the unlisted equity securities at FVTPL and unlisted debt investments at FVTPL. In determining the fair values of the unlisted equity securities at FVTPL and unlisted debt investments at FVTPL, the valuers have utilised methods of valuation which involve certain estimates. The directors have exercised their best estimation and judgements and are satisfied that the methods of valuation and inputs used are reflective of their fair values and current market conditions.

The carrying amounts of the unlisted equity securities at FVTPL and unlisted debt investments at FVTPL as at 30 June 2023 were approximately HK$351,000 (2022: HK$9,922,000) and HK$63,153,000 (2022: HK$72,378,000) respectively.

(i) *Bearer plants and depreciation*

The Group determines the estimated point of maturity, useful lives, residual values and related depreciation charges for the Group's bearer plants. This estimate is based on the historical experience of the point of maturity, actual useful lives and residual values of bearer plants of particular species. The Group will revise the depreciation charge where point of maturity, useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

The carrying amount of bearer plants as at 30 June 2023 was approximately HK$89,473,000 (2022: HK$94,480,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments at 30 June

	2023 **HK$'000**	2022 HK$'000
Financial assets:		
Financial assets at FVTPL:		
Mandatorily measured at FVTPL-held for trading		
— Listed equity securities	**4,877**	12,225
— Unlisted equity securities	**351**	9,922
— Unlisted debt investments	**63,153**	72,378
Financial assets measured at amortised cost	**439,876**	506,245
Financial assets measured at FVTOCI:		
— Unlisted debt investments	**–**	23,585
Financial liabilities:		
Financial liabilities at amortised cost	**83,041**	91,384

(b) Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, price risk, credit risk, liquidity risk, interest rate risk and business risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign currency risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in currencies other than the functional currency of the principal operating entities of the Group, such as United States dollars ("USD") and Renminbi ("RMB"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2023 **HK$'000**	2022 HK$'000
Assets		
RMB	**21,127**	16,619
USD	**39,384**	75,482
Liabilities		
RMB	**43**	–
USD	**54,219**	61,956

Monetary assets and monetary liabilities denominated in USD have no material foreign currency risk exposure as HK$ is pegged with USD. At 30 June 2023, if HK$ had weakened/strengthened 8% (2022: 3%) against RMB with all other variables held constant, consolidated loss after tax for the year ended 30 June 2023 would have been approximately HK$1,687,000 (2022: HK$499,000) lower/higher, arising mainly as a result of the foreign exchange gain/loss on bank balances and deposits and other receivables denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(ii) Price risk

The Group's investments classified as financial assets at FVTOCI and financial assets at FVTPL are measured at fair value at the end of each reporting period. Therefore, the Group is exposed to debt/equity security price risk. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

If the prices of the Group's listed equity securities had been 10% higher/lower with all other variables held constant, consolidated loss after tax for the year ended 30 June 2023 would be decreased/increased by approximately HK$488,000 (2022: HK$1,223,000) as a result of changes in fair value of investments.

(iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables and deposits and other receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

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

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30–210 days (2022: 30–210 days) from the date of billing (except for cash client receivables arising from dealing in securities). Debtors with balances that are more than 3–6 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers (except for collaterals obtained from customers for securities dealing business).

The Group measures loss allowances for trade receivables except for trade receivables from margin clients at an amount equal to lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

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

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

			2023			
	ECL rate %	Gross carrying amount excluding specific trade receivables HK$'000	ECL excluding specific trade receivables HK$'000	Gross carrying amount of specific trade receivables HK$'000	Loss allowance for specific trade receivables HK$'000	Total loss allowance HK$'000
Securities dealing segment						
Current (not past due)	0%	96	–	–	–	–
1–30 days past due	0%	–	–	–	–	–
31–90 days past due	0%	–	–	–	–	–
91–180 days past due	0%	–	–	–	–	–
More than 180 days past due	4%	1,008	(44)	5,795	(5,795)	(5,839)
		1,104	(44)	5,795	(5,795)	(5,839)
Other segments						
Current (not past due)	2%	181,570	(4,438)	–	–	(4,438)
1–30 days past due	5%	5,245	(253)	–	–	(253)
31–60 days past due	7%	493	(35)	–	–	(35)
61–90 days past due	100%	4	(4)	–	–	(4)
More than 90 days past due	0%	7	–	–	–	–
		187,319	(4,730)	–	–	(4,730)
Total		188,423	(4,774)	5,795	(5,795)	(10,569)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

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

	2022					
	ECL rate %	Gross carrying amount excluding specific trade receivables HK$'000	ECL excluding specific trade receivables HK$'000	Gross carrying amount of specific trade receivables HK$'000	Loss allowance for specific trade receivables HK$'000	Total loss allowance HK$'000
Securities dealing segment						
Current (not past due)	0%	527	–	–	–	–
1–30 days past due	0%	141	–	–	–	–
31–90 days past due	0%	–	–	–	–	–
91–180 days past due	0%	307	–	–	–	–
More than 180 days past due	6%	687	(44)	5,426	(5,426)	(5,470)
		1,662	(44)	5,426	(5,426)	(5,470)
Other segments						
Current (not past due)	2%	223,585	(4,399)	–	–	(4,399)
1–30 days past due	5%	6,282	(310)	–	–	(310)
31–60 days past due	7%	143	(10)	–	–	(10)
61–90 days past due	100%	11	(11)	–	–	(11)
More than 90 days past due	0%	89	–	–	–	–
		230,110	(4,730)	–	–	(4,730)
Total		231,772	(4,774)	5,426	(5,426)	(10,200)

Expected loss rates are based on actual loss experience over the past 4 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

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

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

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

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

		Lifetime ECL		
	12-month ECL HK$'000	**Not credit-impaired HK$'000**	**Credit-impaired HK$'000**	**Total HK$'000**
At 1 July 2021	–	–	14,387	14,387
Reversal for the year	–	–	(2,184)	(2,184)
At 30 June 2022 and 1 July 2022	–	–	12,203	12,203
Impairment loss recognised for the year	–	–	3,109	3,109
At 30 June 2023	**–**	**–**	**15,312**	**15,312**
Gross carrying amount:				
Trade receivables as at 30 June 2023	**14,868**	**–**	**19,093**	**33,961**
Trade receivables as at 30 June 2022	19,466	–	18,793	38,259

The Group has pledged securities as collateral amounted to approximately HK$3,781,000 as at 30 June 2023 (2022: HK$5,650,000) in respect of the credit-impaired trade receivables from margin clients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iii) Credit risk (Continued)

Reconciliation of impairment loss on trade receivables:

	2023 **HK$'000**	2022 HK$'000
At 1 July	**22,403**	75,557
Impairment loss recognised for the year (note 12)	**3,485**	2,624
Amounts written off during the year	**–**	(53,217)
Reversal for the year (note 12)	**(7)**	(2,239)
Disposal of subsidiaries	**–**	(322)
At 30 June	**25,881**	22,403

The significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance of approximately HK$3,485,000 during the year due to increase in credit-impaired trade receivables.

Deposits and other receivables

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

	2023 **HK$'000**	2022 HK$'000
At 1 July	**33,431**	49,900
Impairment loss recognised for the year	**–**	6,491
Reversal for the year (note 12)	**(674)**	(3,623)
Amounts written off in deregistration of subsidiaries	**(7,889)**	–
Disposal of subsidiaries	**–**	(18,875)
Exchange differences	**(1,078)**	(462)
At 30 June	**23,790**	33,431

Financial assets at FVTOCI and amortised cost

All of the Group's other financial assets and at amortised cost are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12-month expected losses. Management considers 'low credit risk' for unlisted debt investments to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group is exposed to credit risk in relation to unlisted debt investments that are measured at FVTOCI. The maximum exposure at the end of the reporting period is the carrying amount of these investments of HK$Nil (2022: HK$23,585,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iv) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturity at the end of the reporting period of the Group's non-derivative financial liabilities based on undiscounted cash flows and the earliest dates on which the Group can be required to pay. The table includes both interest and principal cash flows.

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

	On demand HK$'000	**Less than 1 year HK$'000**	**Between 1 and 2 years HK$'000**	**Between 2 and 5 years HK$'000**	**Over 5 years HK$'000**	**Total undiscounted cash flows HK$'000**
At 30 June 2023						
Trade payables	**–**	**64,106**	**–**	**–**	**–**	**64,106**
Accruals and other payables	**–**	**8,475**	**–**	**–**	**–**	**8,475**
Borrowings subject to a repayment on demand clause	**10,460**	**–**	**–**	**–**	**–**	**10,460**
Lease liabilities	**–**	**1,794**	**900**	**2,435**	**5,178**	**10,307**
	10,460	**74,375**	**900**	**2,435**	**5,178**	**93,348**

	On demand HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000
At 30 June 2022						
Trade payables	–	69,470	–	–	–	69,470
Accruals and other payables	–	9,329	–	–	–	9,329
Borrowings subject to a repayment on demand clause	12,585	–	–	–	–	12,585
Lease liabilities	–	3,165	2,091	3,020	6,210	14,486
	12,585	81,964	2,091	3,020	6,210	105,870

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(iv) Liquidity risk (Continued)

The table that follows summarises the maturity analysis of borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year HK$'000
At 30 June 2023	**10,503**
At 30 June 2022	12,597

(v) Interest rate risk

The Group's exposure to interest rate risk arises from its margin client receivables, bank deposits, pledged bank deposits and borrowings. These margin client receivables, deposits and borrowings bear interests at fixed interest rates and variable rates varied with the then prevailing market condition.

The Group's fixed deposits bear interests at fixed interest rates and therefore are subject to fair value interest rate risk.

The directors of the Company consider the Group's exposure to interest rate risk on fixed deposits is not significant.

The Group's cash flow interest rate risk primarily relates to variable-rate margin client receivables, deposits and borrowings.

The sensitivity analysis below has been determined based on the exposure to interest rate risk on its variable-rate margin client receivables, deposits and borrowings at the end of the reporting period and prepared assuming the amount of margin client receivables, deposits and borrowings outstanding at the end of each reporting period was outstanding for the whole year.

If interest rate had been 1% higher/lower with all other variables held constant, the consolidated loss after tax for the year ended 30 June 2023 would be decreased/increased by approximately HK$114,000 (2022: HK$201,000), arising mainly as a result of higher interest income on margin client receivables.

The Group currently does not have any interest rate hedging policy in relation to interest rate risk. The directors of the Company monitor the Group's exposure in ongoing basis and will consider hedging interest rate risk should the need arise.

(vi) Business risk

The Group is exposed to risks arising from fluctuations in the prices of agri-products which are determined by constantly changing market forces of supply and demand, and other factors. The other factors include environmental regulations, climate changes, other natural forces and diseases. The Group has little or no control over these conditions and factors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

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

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2023 HK$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
— Listed equity securities in Hong Kong	**4,877**	**–**	**–**	**4,877**
— Unlisted equity securities outside Hong Kong	**–**	**–**	**351**	**351**
— Unlisted debt investments in Hong Kong	**–**	**–**	**63,153**	**63,153**
Buildings				
Commercial and industrial				
— the PRC	**–**	**–**	**87,810**	**87,810**
Total recurring fair value measurements	**4,877**	**–**	**151,314**	**156,191**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

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

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 2022 HK$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
— Listed equity securities in Hong Kong	12,225	–	–	12,225
— Unlisted equity securities outside Hong Kong	–	–	9,922	9,922
— Unlisted debt investments in Hong Kong	–	–	72,378	72,378
Financial assets at FVTOCI				
— Unlisted debt investments in Hong Kong	–	–	23,585	23,585
Buildings				
Commercial and industrial — the PRC	–	–	99,298	99,298
Total recurring fair value measurements	12,225	–	205,183	217,408

There are no transfers into and transfers out of any of the three levels during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

(b) Reconciliation of assets measured at fair value based on Level 3:

Description	Financial assets at FVTPL – Unlisted equity securities outside Hong Kong HK$'000	Financial assets at FVTPL – Unlisted debt investments in Hong Kong HK$'000	Financial assets at FVTOCI – Unlisted debt investments in Hong Kong HK$'000	Buildings Commercial and industrial – the PRC HK$'000	Total HK$'000
At 1 July 2022	9,922	72,378	23,585	99,298	205,183
Redemption	–	–	(25,500)	–	(25,500)
Total gains or losses recognised in profit or loss					
– Fair value loss on financial assets at FVTPL	(9,571)	(9,225)	–	–	(18,796)
– Depreciation	–	–	–	(3,020)	(3,020)
Total gains or losses recognised in other comprehensive income					
– Release of reserve upon redemption of financial assets at FVTOCI	–	–	1,915	–	1,915
– Fair value change on revaluation of buildings	–	–	–	(912)	(912)
– Exchange differences on translating foreign operations	–	–	–	(7,556)	(7,556)
At 30 June 2023	351	63,153	–	87,810	151,314
Include gains or losses for assets held at end of reporting period	(9,571)	(9,225)	–	(3,020)	(21,816)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

(b) Reconciliation of assets measured at fair value based on Level 3: (Continued)

Description	Financial assets at FVTPL – Unlisted equity securities outside Hong Kong HK$'000	Financial assets at FVTPL – Unlisted debt investments in Hong Kong HK$'000	Financial assets at FVTOCI – Unlisted debt investments in Hong Kong HK$'000	Buildings Commercial and industrial – the PRC HK$'000	Total HK$'000
At 1 July 2021	–	84,986	25,562	98,554	209,102
Purchases	23,786	–	–	–	23,786
Redemption	–	(8,700)	–	–	(8,700)
Total gains or losses recognised in profit or loss					
– Fair value loss on financial assets at FVTPL	(13,864)	(3,480)	–	–	(17,344)
– Loss on redemption of financial assets at FVTPL	–	(428)	–	–	(428)
– Depreciation	–	–	–	(3,032)	(3,032)
Total gains or losses recognised in other comprehensive income					
– Fair value changes on financial assets at FVTOCI	–	–	(1,977)	–	(1,977)
– Fair value change on revaluation of buildings	–	–	–	6,776	6,776
– Exchange differences on translating foreign operations	–	–	–	(3,000)	(3,000)
At 30 June 2022	9,922	72,378	23,585	99,298	205,183
Include gains or losses for assets held at end of reporting period	(13,864)	(3,908)	–	(3,032)	(20,804)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

6. FINANCIAL INSTRUMENTS *(CONTINUED)*

(b) Financial risk management *(Continued)*

(vii) Fair value measurements (Continued)

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 30 June:

The Group's chief financial officer is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including Level 3 fair value measurements. The chief financial officer reports directly to the board of directors (the "Board") for these fair value measurements. Discussions of valuation processes and results are held between the chief financial officer and the Board at least twice a year.

For Level 3 fair value measurements, the Group normally engages independent professional valuers with the recognised professional qualifications and recent experience to perform the valuations.

Level 3 fair value measurements

Description	Valuation technique	Key unobservable inputs	Range	Effect on fair value for increase of inputs	Fair value 2023 HK$'000	Fair value 2022 HK$'000
Buildings Commercial and industrial – the PRC	Depreciated replacement cost	Discount rate	37.16% (2022: 35.08%)	Decrease	**87,810**	99,298
		Replacement cost (per s.q.m)	RMB2,852 to RMB8,184 (2022: RMB2,880 to RMB8,266)	Increase		
Unlisted equity securities outside Hong Kong classified as financial assets at FVTPL	Market approach	Discount for lack of marketability	15.7% (2022: 15.8%)	Decrease	**351**	9,922
Unlisted debt investments in Hong Kong classified as financial assets at FVTPL	Binomial Option Pricing Model	Expected volatilities	76.500% (2022: 64.866%)	Increase	**63,153**	72,378
		Discount rate	18.825% (2022: 5.487%)	Decrease		
Unlisted debt investments in Hong Kong classified as financial assets at FVTOCI	Income approach	Discount rate	N/A (2022: 33.704% to 34.981%)	Decrease	**-**	23,585
		Expected volatilities	N/A (2022: 41.673% to 51.169%)	Decrease		

During the two years, there were no changes in the valuation techniques used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

7. REVENUE

Disaggregation of revenue

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

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
— Sales of consumer goods	**273,726**	290,477
— Sales of agri-products	**163,635**	206,631
— Commission and brokerage income on securities dealings	**947**	1,210
	438,308	498,318
Revenue from other sources		
— Interest income from margin financing	**2,292**	2,900
	440,600	501,218

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 2023			
	Consumer goods HK$'000	Agri-products HK$'000	Securities dealing services HK$'000	Total HK$'000
Primary geographical markets				
Hong Kong	–	44,043	947	44,990
PRC except Hong Kong	273,726	119,592	–	393,318
Revenue from external customers	273,726	163,635	947	438,308
Timing of revenue recognition				
Products and services transferred at a point in time	273,726	163,635	947	438,308

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

7. REVENUE *(CONTINUED)*

Disaggregation of revenue *(Continued)*

	For the year ended 30 June 2022			
	Consumer goods HK$'000	Agri-products HK$'000	Securities dealing services HK$'000	Total HK$'000
Primary geographical markets				
Hong Kong	3,301	44,040	1,210	48,551
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

8. OTHER GAINS AND INCOME

	2023 HK$'000	2022 HK$'000
Dividend income from listed equity securities	**6**	6
Gain on early termination of leases	**46**	–
Government grants (note)	**1,384**	304
Interest income on bank deposits	**2,562**	1,286
Interest income on financial assets at FVTPL	**4,338**	4,484
Interest income on financial assets at FVTOCI	**179**	1,598
Sundry income	**1,558**	2,516
	10,073	10,194

Note:

During the year, the Group recognised government grants of approximately HK$413,000 (2022: HK$304,000), which relate to Employment Support Scheme provided by the Hong Kong government and government grants of approximately HK$971,000 (2022: HK$Nil) provided by the Macau government, in respect of COVID-19 related subsidies. The Group has complied all attached conditions before 30 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. SEGMENT INFORMATION

The chief operating decision maker has been identified as the Board. The Board reviews the Group's internal reporting for the purposes of resource allocation and assessment of segment performance which focused on the category of services/products provided to external customers. The Group has identified two reportable segments as follows:

(i) The sale and trading of FMCG 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.

The accounting policies of the reporting segments are the same as those described in note 4 to the consolidated financial statements. Segment loss do not include gain or loss from investments, impairment loss on goodwill, certain other gains and income, certain finance costs, loss on deregistration of subsidiaries, 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. SEGMENT INFORMATION *(CONTINUED)*

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 2023				
Revenue from external customers	273,726	163,635	3,239	440,600
Segment loss	(3,371)	(74,608)	(5,328)	(83,307)
Depreciation and amortisation	1,216	22,944	549	24,709
Income tax expense/(credit)	55	55	(353)	(243)
Other material non-cash items:				
Changes in fair value due to biological transformation	–	41,896	–	41,896
Impairment losses/(reversal of impairment losses) on trade receivables, prepayments and other receivables, net	(674)	–	3,478	2,804
Additions to segment non-current assets	1,845	35,317	140	37,302
At 30 June 2023				
Segment assets	390,767	495,660	36,326	922,753
Segment liabilities	34,708	39,608	8,540	82,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. SEGMENT INFORMATION *(CONTINUED)*

Information about reportable segment revenue, loss, assets and liabilities: *(Continued)*

	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. SEGMENT INFORMATION *(CONTINUED)*

Reconciliations of reportable segment loss, assets and liabilities:

	2023 HK$'000	2022 HK$'000
Loss		
Total loss of reportable segments	**(83,307)**	(158,222)
Fair value loss on financial assets at FVTPL, net	**(26,144)**	(17,170)
Impairment loss on goodwill	**–**	(10,564)
Loss on deregistration of subsidiaries, net	**(47)**	–
Loss on disposal of subsidiaries, net	**–**	(30)
Unallocated amounts:		
Other corporate expenses	**(16,098)**	(23,170)
Consolidated loss for the year	**(125,596)**	(209,156)
Assets		
Total assets of reportable segments	**922,753**	1,011,380
Unallocated amounts:		
Investments	**68,381**	118,110
Other corporate assets	**82,375**	95,066
Consolidated total assets	**1,073,509**	1,224,556
Liabilities		
Total liabilities of reportable segments	**82,856**	91,277
Unallocated amounts:		
Other corporate liabilities	**20,583**	24,930
Consolidated total liabilities	**103,439**	116,207

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**	
	2023 HK$'000	2022 HK$'000	**2023 HK$'000**	2022 HK$'000
Hong Kong	**47,282**	51,451	**2,816**	3,306
PRC except Hong Kong	**393,318**	449,767	**406,005**	435,030
Others	**–**	–	**468**	–
Consolidated total	**440,600**	501,218	**409,289**	438,336

Revenue from major customer:

For the years ended 30 June 2023 and 2022, the revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue and accordingly, no major customer information is presented.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. FINANCE COSTS

	2023 **HK$'000**	2022 HK$'000
Interest on borrowings	**150**	42
Interest expenses on lease liabilities	**400**	394
	550	436

11. INCOME TAX CREDIT

	2023 **HK$'000**	2022 HK$'000
Current tax — Hong Kong Profits Tax		
Under-provision in prior years	**–**	14
Deferred tax (note 32)	**(133)**	(229)
	(133)	(215)

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 Macau Decree-Law No. 15/2018 in relation to repeal the regime of offshore service of Macau, the offshore permits of two subsidiaries operating in Macau were 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 at the rate of 12% (2022: 12%) 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% (2022: 25%), based on existing legislation, interpretation and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

11. INCOME TAX CREDIT *(CONTINUED)*

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:

	2023				2022			
	Macau HK$'000	**Hong Kong HK$'000**	**PRC HK$'000**	**Total HK$'000**	Macau HK$'000	Hong Kong HK$'000	PRC HK$'000	Total HK$'000
Loss before tax	**(4,643)**	**(39,793)**	**(81,293)**	**(125,729)**	(56,239)	(46,444)	(106,688)	(209,371)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**(557)**	**(6,566)**	**(20,323)**	**(27,446)**	(6,749)	(7,663)	(26,672)	(41,084)
Tax effect of income not taxable	**–**	**(214)**	**(3,817)**	**(4,031)**	–	(55)	(2,209)	(2,264)
Tax effect of loss and expenses not deductible	**557**	**5,255**	**22,108**	**27,920**	6,495	6,520	27,348	40,363
Tax effect of unused tax losses not recognised	**–**	**890**	**2,000**	**2,890**	–	1,005	1,812	2,817
Tax effect of utilisation of tax losses not previously recognised	**–**	**–**	**–**	**–**	–	(113)	–	(113)
Tax effect of unrecognised temporary difference	**–**	**282**	**252**	**534**	254	(213)	11	52
Under-provision in prior years	**–**	**–**	**–**	**–**	–	14	–	14
Income tax (credit)/expense	**–**	**(353)**	**220**	**(133)**	–	(505)	290	(215)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

12. LOSS FOR THE YEAR

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

	2023 **HK$'000**	2022 HK$'000
Amortisation of other intangible assets (note 21)	**–**	15,454
Auditors' remuneration		
Audit services	**2,608**	2,619
Non-audit services	**181**	–
	2,789	2,619
Cost of inventories sold	**408,195**	460,832
Depreciation on fixed assets, net of amount capitalised (note 16)	**17,005**	14,183
Depreciation on right-of-use assets, net of amount capitalised (note 17)	**10,295**	12,565
Exchange losses, net	**1,026**	631
Fair value loss on financial assets at FVTPL, net	**26,144**	17,170
Loss on deregistration of subsidiaries, net (included in other operating expenses)	**47**	–
Loss on disposal of fixed assets, net	**1**	–
Loss on disposal of subsidiaries, net (included in other operating expenses)	**–**	30
Loss on redemption of financial assets at FVTPL, net	**–**	428
Impairment loss on fixed assets (note 16)	**–**	16,085
Impairment loss on right-of-use assets (note 17)	**–**	1,765
Impairment loss on goodwill (note 20)	**–**	10,564
Impairment loss on other intangible assets (note 21)	**–**	39,398
Impairment loss on other assets (note 22)	**–**	3,663
Impairment loss on prepayments, deposits and other receivables	**–**	12,221
Impairment loss on trade receivables (note 6(b))	**3,485**	2,624
Reversal of impairment loss on trade receivables (note 6(b))	**(7)**	(2,239)
Reversal of impairment loss on other receivables (note 6(b))	**(674)**	(3,623)
Fixed assets written off	**358**	775
Other receivables written off	**–**	1,459
Rental income#	**(724)**	(940)
Staff costs (excluding directors' emoluments — note 13)		
Staff salaries, bonus and allowances	**21,482**	21,133
Retirement benefits scheme contributions	**522**	592
	22,004	21,725

Included in sales of agri-products in note 7

13. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The emoluments of directors of the Company for the year, disclosed pursuant to the Listing Rules and the Companies Ordinance, were as follows:

	2023 **HK$'000**	2022 HK$'000
Fees	**450**	450
Other emoluments:		
Salaries, allowances and benefits in kind	**6,163**	6,153
Discretionary bonus	**302**	295
Retirement benefits scheme contributions	**35**	35
	6,950	6,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

(a) Directors' emoluments *(Continued)*

The emoluments of individual director for the year were as follows:

(i) Independent non-executive directors

The fees paid/payable to independent non-executive directors were as follows:

	2023 HK$'000	2022 HK$'000
Fees		
Mr. Poon Yiu Cheung Newman	**150**	150
Ms. Mak Yun Chu	**150**	150
Mr. Hung Hing Man	**150**	150
	450	450

(ii) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement benefits scheme contributions HK$'000	Total emoluments HK$'000
2023					
Mr. Lam Kwok Hing	**–**	**2,836**	**236**	**–**	**3,072**
Ms. Lee Choi Lin Joecy	**–**	**795**	**66**	**17**	**878**
Ms. Gao Qin Jian	**–**	**972**	**–**	**–**	**972**
Mr. Chan Cheuk Yu Stephen	**–**	**1,560**	**–**	**18**	**1,578**
Mr. Mok Tsan San	**–**	**–**	**–**	**–**	**–**
	–	**6,163**	**302**	**35**	**6,500**
2022					
Mr. Lam Kwok Hing	–	2,801	231	–	3,032
Ms. Lee Choi Lin Joecy	–	785	64	17	866
Ms. Gao Qin Jian	–	1,007	–	–	1,007
Mr. Chan Cheuk Yu Stephen	–	1,560	–	18	1,578
	–	6,153	295	35	6,483

Mr. Lam Kwok Hing is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as chief executive.

Mr. Mok Tsan San was appointed on 13 July 2022. Mr. Mok has agreed to waive his director's emolument of HK$1,161,290 as being the executive director of the Company from 13 July 2022 to 30 June 2023.

The above emoluments are covered by respective service contracts of each of the directors. Save for Mr. Mok Tsan San, there was no arrangement under which a director waived or agreed to waive any emolument during the year (2022: HK$Nil).

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

(a) Directors' emoluments *(Continued)*

The five highest paid individuals in the Group during the year included two (2022: two) directors whose emoluments are reflected in the analysis presented above. The emoluments of the remaining three (2022: three) individuals are set out below:

	2023	2022
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**4,112**	4,111
Discretionary bonus	**347**	338
Retirement benefits scheme contributions	**54**	54
	4,513	4,503

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**2**	1

During the year, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office (2022: HK$Nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

14. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 30 June 2023 (2022: HK$Nil).

15. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$125,596,000 (2022: HK$216,128,000) and the weighted average number of ordinary shares of 2,101,407,182 (2022: 2,000,523,700) 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 2023 and 2022.

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16. FIXED ASSETS

	Buildings HK$'000	Farmland infrastructure HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
Cost or valuation						
At 1 July 2021	98,554	563,957	45,992	274,162	30,742	1,013,407
Additions	–	–	–	6	3	9
Disposals	–	–	–	–	(133)	(133)
Disposals of subsidiaries	–	(133,667)	(12,900)	(157,332)	(37)	(303,936)
Transfer from construction in progress	–	–	–	15,640	–	15,640
Written off	–	–	(1,225)	(26,125)	(24)	(27,374)
Adjustment on revaluation	3,744	–	–	–	–	3,744
Exchange differences	(3,000)	–	(327)	(657)	(342)	(4,326)
At 30 June 2022 and 1 July 2022	99,298	430,290	31,540	105,694	30,209	697,031
Additions	–	–	3,221	1,014	1,900	6,135
Disposals	–	–	–	(111)	(1,852)	(1,963)
Transfer from construction in progress	–	33,959	–	25,603	–	59,562
Written off	–	–	(4,374)	(290)	(11)	(4,675)
Adjustment on revaluation	(3,932)	–	–	–	–	(3,932)
Exchange differences	(7,556)	–	(803)	(1,718)	(874)	(10,951)
At 30 June 2023	87,810	464,249	29,584	130,192	29,372	741,207
Accumulated depreciation and impairment						
At 1 July 2021	–	442,442	42,184	273,445	30,206	788,277
Depreciation charge for the year	3,032	33,190	1,567	1,030	171	38,990
Disposals	–	–	–	–	(133)	(133)
Disposals of subsidiaries	–	(133,667)	(12,900)	(157,332)	(37)	(303,936)
Impairment loss (note 12)	–	–	763	15,203	119	16,085
Written off	–	–	(461)	(26,125)	(13)	(26,599)
Adjustment on revaluation	(3,032)	–	–	–	–	(3,032)
Exchange differences	–	–	(309)	(653)	(334)	(1,296)
At 30 June 2022 and 1 July 2022	–	341,965	30,844	105,568	29,979	508,356
Depreciation charge for the year	3,020	29,604	783	4,018	269	37,694
Disposals	–	–	–	(41)	(1,739)	(1,780)
Written off	–	–	(4,016)	(290)	(11)	(4,317)
Adjustment on revaluation	(3,020)	–	–	–	–	(3,020)
Exchange differences	–	–	(667)	(1,678)	(866)	(3,211)
At 30 June 2023	–	371,569	26,944	107,577	27,632	533,722
Carrying amount						
At 30 June 2023	**87,810**	**92,680**	**2,640**	**22,615**	**1,740**	**207,485**
At 30 June 2022	99,298	88,325	696	126	230	188,675

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For the year ended 30 June 2023

16. FIXED ASSETS *(CONTINUED)*

The analysis of the cost or valuation of fixed assets is as follows:

	Buildings HK$'000	Farmland infrastructure HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, office equipment and motor vehicles HK$'000	Total HK$'000
At 30 June 2023						
At cost	**–**	**464,249**	**29,584**	**130,192**	**29,372**	**653,397**
At valuation	**87,810**	**–**	**–**	**–**	**–**	**87,810**
	87,810	**464,249**	**29,584**	**130,192**	**29,372**	**741,207**
At 30 June 2022						
At cost	–	430,290	31,540	105,694	30,209	597,733
At valuation	99,298	–	–	–	–	99,298
	99,298	430,290	31,540	105,694	30,209	697,031

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

Depreciation charge for the year is analysed as follows:

	2023 HK$'000	2022 HK$'000
Charged to profit or loss (note 12)	**17,005**	14,183
Capitalised as biological assets (note 25)	**20,689**	24,807
	37,694	38,990

The Group's buildings were revalued as at 30 June 2023 by using the depreciated replacement cost basis by Hong Kong Appraisal Advisory Limited, a firm of independent professional valuers.

At 30 June 2023, the carrying amount of the Group's buildings would have been approximately HK$64,463,000 (2022: HK$72,344,000) had they been stated at cost less accumulated depreciation.

During the year ended 30 June 2022, the Group incurred segment losses in FMCG Trading Business segment and Agri-Products Business segment due to the impacts from the COVID-19 pandemic (the "pandemic"), keen competition and disrupted supply chain. Impairment losses of approximately HK$16,085,000 (included in other operating expenses) against fixed assets included in FMCG Trading Business segment of approximately HK$11,628,000 and Agri-Products Business segment of approximately HK$4,457,000 were recognised in profit or loss. The recoverable amount of the relevant assets was determined on the basis of their value in use by using discounted cash flow method. The pre-tax discount rates used in FMCG Trading Business segment and Agri-Products Business segment were 10.69% and 10.08% respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

17. RIGHT-OF-USE ASSETS

	Leasehold lands HK$'000	Leased properties HK$'000	Total HK$'000
At 1 July 2021	50,388	6,874	57,262
Additions	–	8,428	8,428
Depreciation	(11,493)	(5,555)	(17,048)
Impairment loss (note 12)	–	(1,765)	(1,765)
Exchange differences	–	(164)	(164)
At 30 June 2022 and 1 July 2022	38,895	7,818	46,713
Additions	7,588	2,771	10,359
Depreciation	(11,744)	(3,251)	(14,995)
Early termination of leases	–	(650)	(650)
Exchange differences	–	(345)	(345)
At 30 June 2023	**34,739**	**6,343**	**41,082**

Lease liabilities of approximately HK$7,309,000 (2022: HK$10,728,000) are recognised with related right-of-use assets of approximately HK$5,979,000 (2022: HK$9,535,000) as at 30 June 2023. The lease agreements do not impose any covenants other than the rental deposits in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

	2023 HK$'000	2022 HK$'000
Depreciation expenses on right-of-use assets (charged to profit or loss) (note 12)	**10,295**	12,565
Depreciation expenses on right-of-use assets (capitalised as biological assets) (note 25)	**4,700**	4,483
Interest expense on lease liabilities (included in cost of sales and finance costs)	**473**	435
Expenses relating to short-term leases (included in administrative expenses)	**1,689**	1,740

Details of total cash outflow for leases is set out in note 37(c).

For both years, the Group leases offices, warehouses, and farmlands for its operations. Lease contracts are entered into for fixed term of 6 months to 20 years (2022: 2 to 20 years), but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Lease liabilities recognised (discounted)		**Potential future lease payments not included in lease liabilities (undiscounted)**	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Farmlands — PRC	**–**	–	**15,164**	16,441
Warehouse — PRC	**–**	–	**–**	7,158

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option in a lease for warehouse in Beijing, or not to exercise a termination option in a number of leases for farmlands in Jiangxi, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 30 June 2023, there has been no such triggering event.

During the year ended 30 June 2022, the Group incurred a segment loss in FMCG Trading Business segment due to the impacts from the pandemic, keen competition and disrupted supply chain. Impairment loss of approximately HK$1,765,000 (included in other operating expenses) against right-of-use assets included in FMCG Trading Business segment was recognised in profit or loss. The recoverable amount of the relevant assets was determined on the basis of its value in use by using discounted cash flow method. The pre-tax discount rate used in FMCG Trading Business segment was 10.69%.

18. CONSTRUCTION IN PROGRESS

	HK$'000
At 1 July 2021	73,302
Additions	50,324
Transfer to fixed assets	(15,640)
At 30 June 2022 and 1 July 2022	107,986
Additions	21,875
Transfer to fixed assets	(59,562)
At 30 June 2023	**70,299**

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19. BEARER PLANTS

	Fruit trees HK$'000
Infant trees	
Cost	
At 1 July 2021	23,510
Transfer to mature trees	(23,510)
At 30 June 2022, 1 July 2022 and 30 June 2023	–
Mature trees	
Cost	
At 1 July 2021	106,650
Transfer from infant trees	23,510
At 30 June 2022, 1 July 2022 and 30 June 2023	130,160
Accumulated depreciation and impairment	
At 1 July 2021	30,672
Charge for the year	5,008
At 30 June 2022 and 1 July 2022	35,680
Charge for the year	5,007
At 30 June 2023	40,687
Total carrying amount	
At 30 June 2023	**89,473**
At 30 June 2022	94,480

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

	2023	2022
Mature trees	**286,600**	286,600

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For the year ended 30 June 2023

20. GOODWILL

	HK$'000
Cost	
At 1 July 2021	144,584
Written off	(11,535)
At 30 June 2022 and 1 July 2022	133,049
Deregistration of a subsidiary	(47,108)
At 30 June 2023	85,941
Accumulated impairment	
At 1 July 2021	134,020
Impairment loss recognised for the year (note 12)	10,564
Written off	(11,535)
At 30 June 2022 and 1 July 2022	133,049
Deregistration of a subsidiary	(47,108)
At 30 June 2023	85,941
Carrying amount	
At 30 June 2023	**–**
At 30 June 2022	–

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the CGUs as follows:

		2023	
	Allocated goodwill HK$'000	**Accumulated impairment HK$'000**	**Net carrying amount HK$'000**
Provision of securities dealing services ("Securities Dealing CGU")	**1,493**	**(1,493)**	**–**
Cultivation and distribution of agri-products business ("Agri CGU")	**65,365**	**(65,365)**	**–**
Tourist retailing of jewellery products business ("Jewellery CGU")	**19,083**	**(19,083)**	**–**
	85,941	**(85,941)**	**–**

		2022	
	Allocated goodwill HK$'000	Accumulated impairment HK$'000	Net carrying amount HK$'000
Securities Dealing CGU	1,493	(1,493)	–
Agri CGU	112,473	(112,473)	–
Jewellery CGU	19,083	(19,083)	–
	133,049	(133,049)	–

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For the year ended 30 June 2023

20. GOODWILL *(CONTINUED)*

During the year ended 30 June 2022, management of the Group wrote off the cost of goodwill of approximately HK$11,535,000 with accumulated impairment loss of approximately HK$11,535,000 included in provision of cold chain facilities and logistics services business by considering the Group had ceased the CGU's operations. In additions, due to impacts and economic uncertainties caused by the pandemic, the Group has suspended the tourist retailing of jewellery business. As a result, impairment of goodwill of approximately HK$10,564,000 was recognised (included in other operating expenses).

21. OTHER INTANGIBLE ASSETS

	The Stock Exchange trading right HK$'000	Money lender license HK$'000	Distribution rights HK$'000	Total HK$'000
Cost				
At 1 July 2021	8,300	374	114,514	123,188
Additions	–	–	22,620	22,620
Expiration of distribution rights	–	–	(27,300)	(27,300)
At 30 June 2022 and 1 July 2022	8,300	374	109,834	118,508
Expiration of distribution rights	–	–	(40,170)	(40,170)
At 30 June 2023	8,300	374	69,664	78,338
Accumulated amortisation and impairment				
At 1 July 2021	8,300	–	82,282	90,582
Amortisation for the year (note 12)	–	–	15,454	15,454
Impairment loss for the year (note 12)	–	–	39,398	39,398
Expiration of distribution rights	–	–	(27,300)	(27,300)
At 30 June 2022 and 1 July 2022	8,300	–	109,834	118,134
Expiration of distribution rights	–	–	(40,170)	(40,170)
At 30 June 2023	8,300	–	69,664	77,964
Carrying amount				
At 30 June 2023	**–**	**374**	**–**	**374**
At 30 June 2022	–	374	–	374

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21. OTHER INTANGIBLE ASSETS *(CONTINUED)*

Before impairment, the Stock Exchange trading right of approximately HK$8,300,000 (2022: HK$8,300,000) at 30 June 2023 is assessed as having indefinite useful life because there is no time limit that the Group can carry out the dealing in securities activities in the Stock Exchange. The Group's money lender license of approximately HK$374,000 (2022: HK$374,000) at 30 June 2023 is assessed as having indefinite useful life as the future renewal cost to maintain the license is insignificant.

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

The Group acquired rights for distribution of certain packaged food, beverages and fresh fruit products in the PRC. The carrying amount of distribution rights at 30 June 2023 is HK$Nil (2022: HK$Nil). The amortisation for the year ended 30 June 2022 was included in cost of sales of approximately HK$11,554,000 and selling and distribution expenses of approximately HK$3,900,000. During the year ended 30 June 2022, segment losses were incurred for the Group's FMCG Trading Business segment and Agri-Products Business segment due to the impacts from the pandemic, keen competition and disrupted supply chain, the Group assessed the value in use of the relevant assets based on the cash flows forecasts for these segments, and recognised impairment losses of approximately HK$28,673,000 and HK$10,725,000 on distribution rights for FMCG Trading Business segment and Agri-Products Business segment in other operating expenses respectively. The pre-tax discount rates used in FMCG Trading Business segment and Agri-Products Business segment were 10.69% and 10.08% respectively.

22. OTHER ASSETS

	2023	2022
	HK$'000	HK$'000
Prepayment for pack houses facilities	**468**	–
Other deposits	**205**	205
	673	205

During the year ended 30 June 2022, loss was incurred for the Group's FMCG Trading Business segment due to the impacts from the pandemic, keen competition and disrupted supply chain, the Group assessed the value in use of the relevant assets based on the cash flow forecast for this segment, and recognised impairment loss of approximately HK$3,663,000 on prepayment for logistics license and resources in other operating expenses. The pre-tax discount rate used was 10.69%.

23. INVESTMENT IN A CLUB MEMBERSHIP

The Group's club membership of HK$108,000 (2022: HK$108,000) at 30 June 2023 is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that club.

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For the year ended 30 June 2023

24. INVESTMENTS

	2023 HK$'000	2022 HK$'000
Non-current assets		
Financial assets at FVTPL		
— unlisted debt investments in Hong Kong	**63,153**	–
— unlisted equity securities outside Hong Kong	**351**	9,922
	63,504	9,922

	2023 HK$'000	2022 HK$'000
Current assets		
Financial assets at FVTOCI		
— unlisted debt investments in Hong Kong	**–**	23,585
Financial assets at FVTPL		
— unlisted debt investments in Hong Kong	**–**	72,378
— listed equity securities in Hong Kong	**4,877**	12,225
	4,877	108,188

The financial assets at FVTOCI were wholly redeemed during the year.

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

The fair value of the unlisted debt investments classified as financial assets at FVTPL was referenced to the valuation performed by BMI Appraisals Limited, a firm of independent professional qualified valuers derived from estimations of the equity component and debt component value by using Binomial Option Pricing Model in which the credit spread derived from comparable bonds with similar maturities and credit rating by build-up method.

The fair value of the unlisted equity securities classified as financial assets at FVTPL was referenced to the valuation performed by Valplus Consulting Limited, a firm of independent professional qualified valuers derived from estimation of the value by market approach.

The carrying amounts of the above financial assets at FVTPL are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9.

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

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24. INVESTMENTS *(CONTINUED)*

The financial assets at FVTOCI and FVTPL are denominated in the following currencies:

	2023	2022
	HK$'000	HK$'000
HK$	**68,030**	108,188
USD	**351**	9,922
	68,381	118,110

At 30 June 2023, the financial assets at FVTPL of approximately HK$145,000 (2022: HK$141,000) have been pledged to a bank to secure the banking facilities granted to the Group (note 38).

25. BIOLOGICAL ASSETS

	HK$'000
At 1 July 2021	18,227
Increase due to cultivation	52,840
Changes in fair value due to biological transformation (note (a))	(31,375)
Transfer of harvested fresh fruit bunches to inventories	(15,727)
Exchange differences	(339)
At 30 June 2022 and 1 July 2022	23,626
Increase due to cultivation	50,990
Changes in fair value due to biological transformation (note (a))	(41,896)
Transfer of harvested fresh fruit bunches to inventories	(14,139)
Exchange differences	(703)
At 30 June 2023	**17,878**

Notes:

(a) During the year, the Group harvested approximately 7,173,000 (2022: 7,422,000) catties of fruits. The directors measured the fair value less costs to sell of fruits at harvest based on market prices as at or close to the harvest dates.

(b) Cultivation costs incurred as addition to the biological assets. All fruits are harvested annually from September to February. After the harvest, plantation works commenced again on the farmland. The directors considered that there was no active market for the fruits before harvest at the end of the reporting period. The present value of expected cash flows was not considered as a reliable measure of their fair value due to the need for, and use of, subjective assumptions including weather condition, natural disaster and effectiveness of agricultural chemicals. As such, the directors considered that the fair value of biological assets at the end of the reporting period could not be measured reliably and no reliable alternative estimates existed to determine fair value. Therefore, biological assets continued to be stated at cost as at 30 June 2023 and 2022.

(c) The carrying value of biological assets as at 30 June 2023 and 2022 represented cultivation costs incurred including fertilisers, pesticides, labour, depreciation of right-of-use assets, depreciation of fixed assets, depreciation of bearer plants and sub-contracting raising cost.

Included in increase to the Group's biological assets are mainly depreciation of fixed assets, depreciation of bearer plants, depreciation of right-of-use assets and sub-contracting raising cost of approximately HK$20,689,000 (2022: HK$24,807,000), HK$5,007,000 (2022: HK$5,008,000), HK$4,700,000 (2022: HK$4,483,000) and HK$3,652,000 (2022: HK$3,821,000) respectively.

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25. BIOLOGICAL ASSETS *(CONTINUED)*

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

	Citrus trees (Chinese Mu)
2023	**5,000**
2022	5,000

The quantity and amount of agricultural produce harvested measured at fair value less costs to sell during the year were approximately as follows:

	2023	2022
Quantity		
Citrus (catty '000)	**7,173**	7,422
	HK$'000	HK$'000
Amount		
Citrus	**14,139**	15,727

The Group is exposed to a number of risks related to its citrus tree plantations:

Regulatory and environmental risks

The Group is subject to laws and regulations in the PRC where it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the prices and sales volumes of fruits. When possible the Group will manage this risk by aligning its harvest volumes to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure will be in line with the market and to ensure that projected harvest volumes will be consistent with the expected demand.

Climate and other risks

The Group's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

The fruit plantation business requires a high level of cash flow before fruit can be harvested and sold. The Group actively manages the working capital requirements and has secured sufficient credit facilities to meet the cash flow requirements.

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26. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	**28**	90
Packing materials	**333**	296
Finished goods	**104,956**	117,456
	105,317	117,842

27. TRADE RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables arising from		
Trading (note (a))	**187,319**	230,110
Dealing in securities and margin financing		
— Cash clients (note (b))	**6,899**	7,088
— Margin clients (note (c))	**33,961**	38,259
	228,179	275,457
Impairment loss on trade receivables	**(25,881)**	(22,403)
	202,298	253,054

Notes:

(a) For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 210 days (2022: 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:

	2023 HK$'000	2022 HK$'000
1–30 days	**49,961**	33,591
31–60 days	**34,573**	24,026
61–90 days	**27,436**	26,105
Over 90 days	**70,619**	141,658
	182,589	225,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

27. TRADE RECEIVABLES *(CONTINUED)*

Notes: *(Continued)*

At 30 June 2023, trade receivables arising from trading of approximately HK$5,457,000 (2022: HK$6,194,000) 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:

	2023	2022
	HK$'000	HK$'000
Up to 90 days	**5,450**	6,105
Over 90 days	**7**	89
	5,457	6,194

As at 30 June 2023, 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$96,000 (2022: HK$527,000) 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 2023, cash client receivables of approximately HK$6,803,000 (2022: HK$6,561,000) were past due. These past due cash client receivables were substantially settled after the year end date, except for approximately HK$5,839,000 (2022: HK$5,470,000) for which impairment loss of approximately HK$369,000 (2022: HK$361,000) 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 2023, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2022: 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 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 2023, margin client receivables arising from margin financing are interest-bearing at rates ranging from 6% to 8% per annum (2022: 6% to 8% per annum).

As at 30 June 2023, the total market value of securities pledged as collateral in respect the margin loans to customers are approximately HK$28,243,000 (2022: HK$50,719,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

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

The Group's pledged bank deposits at 30 June 2023 represented deposits pledged to a bank to secure banking facilities granted to the Group (note 38). These deposits are subject to regulatory restrictions and are therefore not available for general use by the Group.

At 30 June 2023, the bank and cash balances of the Group denominated in RMB and kept in the PRC amounted to approximately HK$52,892,000 (2022: HK$53,161,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The Group maintains trust and segregated accounts with authorised financial institutions to hold clients' monies arising from normal courses of dealing in securities business. The Group is not allowed to use clients' monies to settle its own obligations.

At 30 June 2023, the bank and cash balances of the Group included time deposits with original maturity over three months of approximately HK$941,000 (2022: HK$45,222,000), which are not included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

29. TRADE PAYABLES

	2023	2022
	HK$'000	HK$'000
Trade payables arising from		
Trading	**57,097**	65,600
Dealing in securities		
— Cash clients	**6,919**	3,783
— Clearing house	**90**	87
	64,106	69,470

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

29. TRADE PAYABLES *(CONTINUED)*

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

	2023 HK$'000	2022 HK$'000
1–30 days	**35,403**	37,149
31–60 days	**20,790**	20,972
61–90 days	**904**	7,409
Over 90 days	**–**	70
	57,097	65,600

Trade payables to cash clients arising from dealing in securities also include those payables where the corresponding clients' monies are placed in trust and segregated accounts with authorised financial institutions of approximately HK$7,199,000 (2022: HK$3,715,000).

30. BORROWINGS

	2023 HK$'000	2022 HK$'000
Bank loans, secured (note 38)	**10,460**	12,585

The borrowings are repayable on demand or within one year.

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

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

	2023	2022
Bank loans	**6.06% to 6.85% per annum**	2.27% to 2.45% per annum

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

31. LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**1,794**	3,165	**1,622**	2,883
More than one year, but not exceeding two years	**900**	2,091	**767**	1,893
More than two years, but not more than five years	**2,435**	3,020	**2,282**	2,719
More than five years	**5,178**	6,210	**2,638**	3,233
	10,307	14,486	**7,309**	10,728
Less: Future finance charges	**(2,998)**	(3,758)	**N/A**	N/A
Present value of lease obligations	**7,309**	10,728	**7,309**	10,728
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(1,622)**	(2,883)
Amount due for settlement after 12 months			**5,687**	7,845

The weighted average incremental borrowing rates applied to lease liabilities range from 1.95% to 8.09% (2022: from 1.95% to 8.09%).

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

	2023	2022
	HK$'000	HK$'000
HK$	**948**	2,754
RMB	**6,361**	7,974
	7,309	10,728

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group.

Deferred tax liabilities

	Revaluation of buildings and accelerated tax depreciation HK$'000	Fair value difference of other intangible assets HK$'000	Total HK$'000
At 1 July 2021	10,403	1,287	11,690
Charge to profit or loss for the year (note 11)	290	–	290
Charge to other comprehensive income for the year	1,694	–	1,694
Exchange differences	(366)	–	(366)
At 30 June 2022 and 1 July 2022	12,021	1,287	13,308
Charge to profit or loss for the year (note 11)	220	–	220
Credit to other comprehensive income for the year	(228)	–	(228)
Exchange differences	(933)	–	(933)
At 30 June 2023	**11,080**	**1,287**	**12,367**

Deferred tax assets

	Doubtful debts HK$'000	Tax losses HK$'000	Total HK$'000
At 1 July 2021	–	7,861	7,861
Credit/(charge) to profit or loss for the year (note 11)	3,371	(2,852)	519
At 30 June 2022 and 1 July 2022	3,371	5,009	8,380
Credit to profit or loss for the year (note 11)	122	231	353
At 30 June 2023	**3,493**	**5,240**	**8,733**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. DEFERRED TAX *(CONTINUED)*

Deferred tax assets *(Continued)*

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

	2023 **HK$'000**	2022 HK$'000
Right-of-use assets	**22,870**	24,795
Decelerated tax depreciation	**3,739**	4,082
Unused tax losses	**123,431**	121,003
	150,040	149,880

Deferred tax asset has not been recognised in respect of the above deductible temporary differences due to the unpredictability of future profit streams. The tax losses are subject to approval of tax bureau. Included in unrecognised tax losses are losses of approximately HK$35,806,000 (2022: HK$38,792,000) that will expire in five years. Other tax losses may be carried forward indefinitely.

33. SHARE CAPITAL

	Note	**Number of ordinary shares**	**Amount HK$'000**
Authorised:			
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023, ordinary shares of HK$0.1 each		10,000,000,000	1,000,000
Issued and fully paid:			
At 1 July 2021		1,872,696,182	187,270
Shares issued for acquisition of investment	(a)	228,711,000	22,871
At 30 June 2022, 1 July 2022 and 30 June 2023		**2,101,407,182**	**210,141**

Note:

(a) On 9 December 2021, 228,711,000 new ordinary shares of the Company were issued at HK$0.104 per share as the consideration for acquisition of investment. The premium on the issue of shares of approximately HK$915,000 was credited to the Company's share premium account.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts. No changes were made in the objectives, policies or processes during the years ended 30 June 2023 and 2022.

The only externally imposed capital requirement for the Company to maintain its listing status on the Stock Exchange is that it has to have a public float of at least 25% of the shares. The Company receives a report from the share registrars on substantial share interests and it demonstrates continuing compliance with the 25% limit throughout the year. As at 30 June 2023, over 25% (2022: over 25%) of the shares were in public hands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 HK$'000	2022 HK$'000
ASSETS		
Non-current assets		
Fixed assets	–	1
Investments in subsidiaries	911,780	1,025,780
	911,780	1,025,781
Current assets		
Prepayment	105	205
Due from a subsidiary	99,722	159,505
Bank and cash balances	14,682	16,113
	114,509	175,823
TOTAL ASSETS	1,026,289	1,201,604
EQUITY AND LIABILITIES		
Share capital	210,141	210,141
Reserves	814,939	990,291
Total equity	1,025,080	1,200,432
Current liabilities		
Accruals and other payables	1,209	1,172
TOTAL EQUITY AND LIABILITIES	1,026,289	1,201,604

Approved by the Board of Directors on 28 September 2023 and are signed on its behalf by:

LAM Kwok Hing
Chairman

CHAN Cheuk Yu Stephen
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

35. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of changes in equity.

(b) Company

	Share premium account HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2021	2,438,100	(1,200,188)	1,237,912
Loss for the year	–	(248,536)	(248,536)
Shares issued for acquisition of investment	915	–	915
At 30 June 2022	2,439,015	(1,448,724)	990,291
At 1 July 2022	**2,439,015**	**(1,448,724)**	**990,291**
Loss for the year	**–**	**(175,352)**	**(175,352)**
At 30 June 2023	**2,439,015**	**(1,624,076)**	**814,939**

(c) Nature and purpose of reserves

(i) *Share premium account*

The share premium account of the Group includes: (i) the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group Reorganisation on 3 December 2001 over the nominal value of the share capital of the Company issued in exchange; (ii) the premium arising from the capitalisation issue of shares in prior years; and (iii) the premium arising from the issue of new shares in current and prior years.

(ii) *Legal reserve*

Legal reserve represented reserve retained in accordance with the Article 377 of the Macao Commercial Code for the entities incorporated in Macao.

(iii) *Foreign currency translation reserve*

Foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 4(d) to the consolidated financial statements.

(iv) *Property revaluation reserve*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

35. RESERVES *(CONTINUED)*

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

(v) FVTOCI reserve

The FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 4(m) to the consolidated financial statements.

(vi) Special reserve

The special reserve of the Group comprises the excess of the fair value of consideration payable for the acquisition of additional interest in a subsidiary over the decrease in the carrying value of the NCI.

Following the deregistration of aforesaid subsidiary on 27 October 2022, the balance of special reserve was recycled to accumulated losses as of that date.

36. SHARE-BASED PAYMENTS

(a) Equity-settled share option scheme

The Company operates a share option scheme adopted on 21 December 2018 (the "SO Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Unless otherwise cancelled or amended, the SO Scheme will remain in force for 10 years from that date and the remaining life of the SO Scheme was approximately 5 years at the date of this report. Eligible participants of the SO Scheme include the Company's directors (including non-executive and independent non-executive directors), other employees of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and other groups or classes of participants as determined by the directors.

As at 1 July 2022, 30 June 2023 and the date of this report, the total number of shares available for issue under the SO Scheme was 187,269,618 shares, which represented approximately 8.9% of the issued shares of the Company at the date of this report. The maximum number of shares which may be issued upon exercise of all options to be granted under the SO Scheme is equivalent to 10% of the shares of the Company in issue at the date of approval of the SO Scheme, unless a fresh approval is obtained from the shareholders in general meeting. The maximum number of shares issued and to be issued upon exercise of share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at the time of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The Board may determine the exercise price of the share options provided that the exercise price so fixed shall be at least the highest of the closing price of the shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and the nominal value of the shares of the Company. The Board may in its absolute discretion specify such conditions as it thinks fit when granting an option to an eligible participant (including, without limitation, as to any minimum period an option must have been held or the minimum period of service or relationship with any member of the Group to be achieved before an option can be exercised (or any part thereof), to the extent of the option which can be exercised at any material time, or any performance criteria which must be satisfied by the eligible participant, the Company, and its subsidiaries, before an option may be exercised).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. SHARE-BASED PAYMENTS *(CONTINUED)*

(a) Equity-settled share option scheme *(Continued)*

The offer of a grant of share options may be accepted within 10 business days from the date of the offer, upon payment by the grantee of a nominal option price as determined by the Board. The exercise period of the share options granted is determined by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of acceptance of the share options.

During the years ended 30 June 2023 and 2022, no share options were granted or to be granted, exercised, vested, cancelled nor lapsed and the Company had no share options outstanding or unvested under the SO Scheme at 30 June 2023 and 2022.

(b) Equity-settled share award plan

The Company adopted a share award plan on 12 June 2020 (the “SA Plan”) for the purpose of recognising and rewarding the contribution of certain eligible participates to the growth and development of the Group, giving incentives to eligible participates in order to retain them for the continual operation and development of the Group and attracting suitable personnel for further development of the Group. Unless terminated earlier as determined by the Board, the SA Plan will be valid and effective for a period of 10 years commencing from 12 June 2020. On 13 December 2022, the Board resolved to terminate the SA Plan. No further award shall be granted upon its termination.

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

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

The eligible participants are selected and the number of shares to be awarded under the SA Plan is determined by the Board. The Board may at its discretion determine the earliest vesting date and other subsequent date, if any, upon which the awarded shares held by the trustee upon trust and which are referable to a selected participant shall vest in that selected participant. An award shall be deemed to be irrevocably declined by a selected participant unless the selected participant shall within five business days after receipt of such notice from the Board notify the Company in writing that he/she would accept such award. The shares to be awarded under the SA Plan are set aside from the shares pool by a trustee and the trustee holds the same on trust pending the vesting of the same to the selected participant.

In the event that the trustee effects any purchases by off-market transactions, the purchase price for such purchases shall not be higher than the lower of the following: (i) the closing market price on the date of such purchase, and (ii) the average closing market price for the five preceding trading days on which the shares were traded on the Stock Exchange. The trustee shall not exercise the voting rights in respect of any shares held on trust for the Group.

Since the adoption of the SA Plan and up to its termination on 13 December 2022, no share has been purchased nor held under the shares pool and hence no share awards have been granted and to be granted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately HK$139,000 (2022: HK$8,428,000) and HK$139,000 (2022: HK$8,350,000) respectively, in respect of lease arrangements.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 July 2022 HK$'000	**New lease entered/lease modification HK$'000**	**Early termination of leases HK$'000**	**Foreign exchange translation HK$'000**	**Cash flows HK$'000**	**Interest expenses HK$'000**	**30 June 2023 HK$'000**
Borrowings (note 30)	**12,585**	**–**	**–**	**–**	**(2,275)**	**150**	**10,460**
Lease liabilities (note 31)	**10,728**	**139**	**(696)**	**(578)**	**(2,684)**	**400**	**7,309**
	23,313	**139**	**(696)**	**(578)**	**(4,959)**	**550**	**17,769**

	1 July 2021 HK$'000	New lease entered/lease modification HK$'000	Foreign exchange translation HK$'000	Cash flows HK$'000	Interest expenses HK$'000	30 June 2022 HK$'000
Borrowings (note 30)	15,710	–	–	(3,167)	42	12,585
Lease liabilities (note 31)	5,497	8,350	(251)	(3,262)	394	10,728
	21,207	8,350	(251)	(6,429)	436	23,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(CONTINUED)*

(c) Total cash outflow for leases

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

	2023 **HK$'000**	2022 HK$'000
Within operating cash flows	**2,162**	2,175
Within investing cash flows	**10,220**	–
Within financing cash flows	**2,284**	2,868
	14,666	5,043

These amounts relate to the following:

	2023 **HK$'000**	2022 HK$'000
Lease rental paid	**4,446**	5,043
Payments for right-of-use assets	**10,220**	–
	14,666	5,043

38. BANKING FACILITIES

At 30 June 2023 and 2022, the Group's banking facilities in respect of term loans and other trade finance facilities were secured by pledged bank deposits (note 28), corporate guarantees executed by the Company and certain subsidiaries of the Company and a charge over the Group's financial assets at FVTPL (note 24).

39. CONTINGENT LIABILITIES

At 30 June 2023, the Group did not have any significant contingent liabilities (2022: HK$Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

40. COMMITMENTS

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

	2023 HK$'000	2022 HK$'000
Contracted but not provided for		
— Fixed assets	**6,472**	7,018
— Construction in progress	**6,440**	14,905
	12,912	21,923

41. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for office premises in Hong Kong, Macau and the PRC. As at 30 June 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 17.

The Group as lessor

Minimum lease payments receivable on leases are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**162**	–

42. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	2023 HK$'000	2022 HK$'000
Short-term benefits	**11,374**	11,347
Post-employment benefits	**89**	89
	11,463	11,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

43. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries as at 30 June 2023 are as follows:

Name	Place of incorporation/ registration and operations	Issued/paid-up capital	Percentage of ownership interest/ voting power/ profit sharing	Principal activities
Golden Harvest (Macao Commercial Offshore) Limited	Macau	MOP100,000	100%	Sourcing and distribution of fresh produce products
Golden Sector Agro-Development Limited	Hong Kong	Ordinary HK$10,000	100%	Trading of fresh produce products
Heng Tai Finance Limited	Hong Kong	Ordinary HK$10,000	100%	Investment holding and provision of treasury services
Heng Yui (Macao) Commercial Offshore Limited	Macau	MOP100,000	100%	Distribution of packaged food, beverages and household consumable products
New Sino International Ltd.	British Virgin Islands ("BVI")	Ordinary USD10,000	100%	Operator of overseas packing houses and PRC distribution depots
Simming Light Investment Ltd.	BVI	Ordinary USD10,000	100%	Investment holding in agri-business
Sino Wealth Securities Limited	Hong Kong	Ordinary HK$100,000,000	100%	Provision of securities brokerage and margin financing services
Sui Tai & Associates Limited	Hong Kong	Ordinary HK$10,000	100%	Provision of administrative services
上海士豐實業有限公司*	PRC	USD10,100,000	100%	Owner and operator of Shanghai logistics centre
中滔(九江)農業發展有限公司*	PRC	HK$5,000,000	100%	Cultivation of agricultural products and livestock breeding
東莞市金農貿易發展有限公司*	PRC	HK$6,000,000	100%	Operator of Dongguan food processing centre for agri-products

* Foreign wholly-owned enterprise.

The above list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and of the consolidated assets, liabilities and equity of the Group for the last five financial years is set out below:

RESULTS

	Year ended 30 June				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss attributable to:					
Owners of the Company	**(125,596)**	(216,128)	(247,213)	(318,339)	(285,081)
Non-controlling interests	**–**	6,972	(7)	(11)	(895)
Loss for the year	**(125,596)**	(209,156)	(247,220)	(318,350)	(285,976)

ASSETS, LIABILITIES AND EQUITY

	At 30 June				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**1,073,509**	1,224,556	1,407,545	1,630,786	1,981,836
Total liabilities	**(103,439)**	(116,207)	(121,681)	(125,354)	(145,721)
Total non-controlling interests	**–**	41	15,895	15,888	15,877
Total equity attributable to owners of the Company	**970,070**	1,108,390	1,301,759	1,521,320	1,851,992

Note: The results of the Group for the four years ended 30 June 2019, 2020, 2021 and 2022 and the assets, liabilities and equity of the Group as at these dates have been extracted from the audited consolidated financial statements of the Company for the respective years and restated as appropriate. The results of the Group for the year ended 30 June 2023 and the assets, liabilities and equity of the Group as at 30 June 2023 are those set out in page 35 and pages 37 to 38 of the consolidated financial statements respectively.