HENG TAI CONSUMABLES GROUP LIMITED

亨泰消費品集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00197)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 30 JUNE 2021

The board (the "**Board**") of directors (the "**Directors**") of Heng Tai Consumables Group Limited (the "**Company**") is pleased to announce the audited consolidated final results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 30 June 2021 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
Revenue	*3*	**520,254**	541,915
Cost of sales		**(502,746)**	(509,831)
Gross profit		**17,508**	32,084
Changes in fair value due to biological transformation		**(38,667)**	(32,684)
Other gains and income		**20,544**	33,758
Selling and distribution expenses		**(36,403)**	(55,514)
Administrative expenses		**(65,638)**	(77,477)
Impairment losses on trade receivables and deposits and other receivables		**(35,250)**	(58,601)
Other operating expenses		**(111,775)**	(160,214)
Loss from operations		**(249,681)**	(318,648)
Finance costs	*5*	**(452)**	(541)
Loss before tax		**(250,133)**	(319,189)
Income tax credit	*6*	**2,913**	839
Loss for the year	*7*	**(247,220)**	(318,350)
Attributable to:			
Owners of the Company		**(247,213)**	(318,339)
Non-controlling interests		**(7)**	(11)
		(247,220)	(318,350)
Loss per share	*9*		
Basic		**HK(13 cents)**	HK(17 cents)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	2021	2020
	HK$'000	*HK$'000*
Loss for the year	**(247,220)**	(318,350)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**1,468**	1,356
Deferred tax liability on revaluation of buildings	**(367)**	(339)
	1,101	1,017
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**26,839**	(13,700)
Fair value changes on financial assets at fair value through other comprehensive income ("**FVTOCI**")	**(288)**	350
	26,551	(13,350)
Other comprehensive income for the year, net of tax	**27,652**	(12,333)
Total comprehensive income for the year	**(219,568)**	(330,683)
Attributable to:		
Owners of the Company	**(219,561)**	(330,672)
Non-controlling interests	**(7)**	(11)
	(219,568)	(330,683)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Fixed assets		**225,130**	251,861
Right-of-use assets		**57,262**	97,870
Construction in progress		**73,302**	60,592
Bearer plants		**99,488**	100,516
Goodwill		**10,564**	19,083
Other intangible assets		**32,606**	64,516
Other assets		**11,661**	1,029
Investment in a joint venture		**–**	–
Investment in a club membership		**108**	108
Investments		**110,548**	25,850
Deferred tax assets		**7,861**	5,025
		628,530	626,450
Current assets			
Biological assets		**18,227**	23,948
Inventories		**131,580**	123,204
Trade receivables	*10*	**247,627**	206,521
Prepayments, deposits and other receivables		**123,727**	112,124
Investments		**12,051**	181,324
Current tax assets		**394**	–
Pledged bank deposits		**17,096**	424
Client trust bank balances		**4,890**	7,457
Bank and cash balances		**223,423**	349,334
		779,015	1,004,336
TOTAL ASSETS		**1,407,545**	1,630,786

	Note	2021 HK$'000	2020 HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**187,270**	187,270
Reserves		**1,114,489**	1,334,050
		1,301,759	1,521,320
Non-controlling interests		**(15,895)**	(15,888)
Total equity		**1,285,864**	1,505,432
Non-current liabilities			
Lease liabilities		**3,137**	4,980
Deferred tax liabilities		**11,690**	10,152
		14,827	15,132
Current liabilities			
Trade payables	*11*	**71,537**	69,213
Accruals and other payables		**17,247**	16,844
Borrowings		**15,710**	20,424
Lease liabilities		**2,360**	3,087
Current tax liabilities		**–**	654
		106,854	110,222
Total liabilities		**121,681**	125,354
TOTAL EQUITY AND LIABILITIES		**1,407,545**	1,630,786
Net current assets		**672,161**	894,114
Total assets less current liabilities		**1,300,691**	1,520,564

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2021

1. BASIS OF PREPARATION

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the Amendments to Reference to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19 Related Rent Concessions.

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

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 July 2020. The application of the amendments had no impact on the consolidated financial statements.

Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform.

The amendments had no impact on the consolidated financial statements of the Group.

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 July 2020. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to HKFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023

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

3. REVENUE

Disaggregation of revenue

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

	2021	2020
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Sales of consumer goods	**313,027**	322,332
– Sales of agri-products	**200,811**	202,485
– Logistics services income	**2,231**	9,491
– Sales of jewellery products in tourist retailing	**534**	5,807
– Commission and brokerage income on securities dealings	**1,637**	1,800
	518,240	541,915
Revenue from other sources		
– Interest income from margin financing	**2,014**	–
	520,254	541,915

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

	For the year ended 30 June 2020					
	Consumer goods	Agri-products	Logistics services	Tourist retailing	Securities dealing services	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Primary geographical markets						
Hong Kong	–	48,634	–	5,807	1,800	56,241
PRC except Hong Kong	322,332	153,851	9,491	–	–	485,674
Revenue from external customers	322,332	202,485	9,491	5,807	1,800	541,915
Timing of revenue recognition						
Products and services transferred at a point in time	322,332	202,485	9,491	5,807	1,800	541,915

4. SEGMENT INFORMATION

The Group has three reportable segments as follows:

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

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

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

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

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

Segment loss do not include gain or loss from investments, impairment loss on goodwill, certain other gains and income, certain finance costs and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investment in a joint venture, investments, investment in a club membership, certain fixed assets and certain right-of-use assets. Segment liabilities do not include certain borrowings, certain accruals and other payables and certain lease liabilities. Segment non-current liabilities do not include certain lease liabilities.

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

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

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

	FMCG Trading Business *HK$'000*	Agri-Products Business *HK$'000*	Logistics Services Business *HK$'000*	All other segments *HK$'000*	Total *HK$'000*
Year ended 30 June 2020					
Revenue from external customers	322,332	202,485	9,491	7,607	541,915
Segment loss	(68,225)	(220,396)	(19,087)	(7,318)	(315,026)
Depreciation and amortisation	30,155	23,462	8,384	953	62,954
Income tax (expense)/credit	–	(29)	(143)	1,154	982
Other material non-cash items:					
Changes in fair value due to biological transformation	–	32,684	–	–	32,684
Impairment losses on trade receivables, prepayments and other receivables	33,982	46,933	3,587	1,105	85,607
Impairment loss on fixed assets	6,576	75,673	7,187	–	89,436
Impairment loss on right-of-use assets	–	2,774	–	–	2,774
Impairment loss on other intangible assets	3,900	–	–	–	3,900
Impairment loss on inventories	–	28,168	–	–	28,168
Additions to segment non-current assets	38,610	75,852	16	135	114,613
At 30 June 2020					
Segment assets	556,633	543,412	145,906	46,686	1,292,637
Segment liabilities	46,195	21,245	11,477	11,922	90,839

Reconciliations of reportable segment loss, assets and liabilities:

	2021 *HK$'000*	2020 *HK$'000*
Loss		
Total loss of reportable segments	**(187,160)**	(315,026)
Fair value (loss)/gain on financial assets at FVTPL, net	**(42,246)**	9,627
Impairment loss on goodwill	**(8,519)**	–
Unallocated amounts:		
Other corporate expenses	**(9,295)**	(12,951)
Consolidated loss for the year	**(247,220)**	(318,350)
Assets		
Total assets of reportable segments	**1,218,121**	1,292,637
Unallocated amounts:		
Investments	**122,599**	207,174
Other corporate assets	**66,825**	130,975
Consolidated total assets	**1,407,545**	1,630,786
Liabilities		
Total liabilities of reportable segments	**93,538**	90,839
Unallocated amounts:		
Other corporate liabilities	**28,143**	34,515
Consolidated total liabilities	**121,681**	125,354

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	
	2021 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	2020 *HK$'000*
Hong Kong	**49,585**	56,241	**12,929**	24,019
PRC except Hong Kong	**470,669**	485,674	**496,519**	571,351
Others	**–**	–	**468**	–
Consolidated total	**520,254**	541,915	**509,916**	595,370

Revenue from major customer:

For the years ended 30 June 2021 and 2020, the revenue from the Group's largest customer accounted for less than 10% of the Group's total revenue and accordingly, no major customer information is presented.

5. FINANCE COSTS

	2021	2020
	HK$'000	*HK$'000*
Interest on borrowings	**138**	285
Interest expenses on lease liabilities	**314**	256
	452	541

6. INCOME TAX CREDIT

	2021	2020
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	441
Over-provision in prior years	**(366)**	(20)
	(366)	421
Deferred tax	**(2,547)**	(1,260)
	(2,913)	(839)

Under the two-tiered Profits Tax 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 regime will continue to be taxed at a rate of 16.5%.

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

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

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2020: 25%), based on existing legislation, interpretation and practices in respect thereof.

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

	2021				2020			
	Macau	**Hong Kong**	**PRC**	**Total**	Macau	Hong Kong	PRC	Total
	HK$000	***HK$000***	***HK$'000***	***HK$000***	*HK$000*	*HK$000*	*HK$'000*	*HK$000*
Loss before tax	**(16,123)**	**(109,190)**	**(124,820)**	**(250,133)**	(70,350)	(51,683)	(197,156)	(319,189)
Applicable income tax rate	**12.00%**	**16.50%**	**25.00%**		12.00%	16.50%	25.00%	
Tax at the applicable income tax rate	**(1,935)**	**(18,016)**	**(31,205)**	**(51,156)**	(8,442)	(8,528)	(49,289)	(66,259)
Tax effect of income not taxable	**–**	**(2,263)**	**(4,757)**	**(7,020)**	–	(2,086)	(6,536)	(8,622)
Tax effect of expenses not deductible	**1,660**	**9,278**	**29,766**	**40,704**	–	10,885	53,973	64,858
Loss exempted from the Macau Complementary Tax	**275**	**–**	**–**	**275**	8,442	–	–	8,442
Tax effect of unused tax losses not recognised	**–**	**8,359**	**1,894**	**10,253**	–	194	1,762	1,956
Tax effect of utilisation of tax losses not previously recognised	**–**	**(234)**	**–**	**(234)**	–	(1,512)	–	(1,512)
Tax effect of unrecognised temporary difference	**–**	**40**	**4,591**	**4,631**	–	11	376	387
Tax concession	**–**	**–**	**–**	**–**	–	(20)	–	(20)
Over-provision in prior years	**–**	**(366)**	**–**	**(366)**	–	(20)	–	(20)
Tax effect of change of tax rate	**–**	**–**	**–**	**–**	–	(49)	–	(49)
Income tax (credit)/expense	**–**	**(3,202)**	**289**	**(2,913)**	–	(1,125)	286	(839)

7. LOSS FOR THE YEAR

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

	2021	2020
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**21,575**	26,137
Auditors' remuneration		
Audit services	**2,667**	2,624
Non-audit services	**362**	–
	3,029	2,624
Cost of inventories sold	**473,079**	474,842
Depreciation on fixed assets, net of amount capitalised	**16,993**	26,415
Depreciation on right-of-use assets, net of amount capitalised	**14,183**	10,714
Exchange (gains)/losses, net	**(5,219)**	2,728
Fair value loss/(gain) on financial assets at FVTPL, net	**42,246**	(9,627)
Gain on disposal of financial assets at FVTPL	**–**	(2,033)
Loss/(gain) on redemption of financial assets at FVTPL, net	**4,041**	(1,119)
Gain on disposal of fixed assets	**–**	(105)
Impairment loss on fixed assets	**17,163**	89,436
Impairment loss on right-of-use assets	**23,794**	2,774
Impairment loss on goodwill	**8,519**	–
Impairment loss on other intangible assets	**10,335**	3,900
Impairment loss on prepayments, deposits and other receivables	**27,569**	37,006
Impairment loss on inventories	**–**	28,168
Impairment loss on trade receivables	**22,936**	57,424
Reversal of impairment loss on trade receivables	**(9,578)**	(3,823)
Fixed assets written off	**–**	68
Rental income #	**(899)**	(868)
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**22,024**	24,324
Retirement benefits scheme contributions	**583**	692
	22,607	25,016

Included in logistics services income in note 3.

8. DIVIDENDS

The Board does not recommend the payment of final dividend in respect of the year ended 30 June 2021 (2020: HK$Nil).

9. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately HK$247,213,000 (2020: HK$318,339,000) and the weighted average number of ordinary shares of 1,872,696,182 (2020: 1,872,696,182) in issue during the year.

Diluted loss per share

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares for both years ended 30 June 2021 and 30 June 2020.

10. TRADE RECEIVABLES

		2021	2020
		HK$'000	*HK$'000*
Trade receivables arising from			
Trading	*(note(a))*	**273,943**	258,972
Dealing in securities			
– Cash clients	*(note(b))*	**7,823**	9,720
– Margin clients	*(note(c))*	**41,418**	–
		323,184	268,692
Impairment loss on trade receivables		**(75,557)**	(62,171)
		247,627	206,521

Notes:

(a) For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 210 days (2020: 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:

	2021	2020
	HK$'000	*HK$'000*
1–30 days	**51,955**	40,318
31–60 days	**35,603**	31,633
61–90 days	**35,302**	24,974
Over 90 days	**95,022**	105,257
	217,882	202,182

At 30 June 2021, trade receivables arising from trading of approximately HK$4,751,000 (2020: HK$32,774,000) 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:

	2021	2020
	HK$'000	*HK$'000*
Up to 90 days	**4,751**	32,774
Over 90 days	**–**	–
	4,751	32,774

As at 30 June 2021, 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$858,000 (2020: HK$1,088,000) 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 2021, cash client receivables of approximately HK$6,965,000 (2020: HK$8,632,000) were past due. These past due cash client receivables were substantially settled after the year end date, except for approximately HK$1,028,000 (2020: HK$3,125,000) for which impairment loss was recognised during the year. No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of these cash client receivables arising from dealing in securities.

As at 30 June 2021, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2020: 9.25% per annum).

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

As at 30 June 2021, margin client receivables arising from margin financing are interest-bearing at rates ranging from 6% to 8% per annum (2020: Nil).

As at 30 June 2021, the total market value of securities pledged as collateral in respect the margin loans to customers are approximately HK$80,018,000 (2020: HK$Nil).

11. TRADE PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade payables arising from		
Trading	**66,452**	60,838
Dealing in securities		
– Cash clients	**5,077**	7,456
– Clearing house	**8**	919
	71,537	69,213

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

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

	2021	2020
	HK$'000	*HK$'000*
1–30 days	**39,194**	46,458
31–60 days	**24,549**	14,293
61–90 days	**2,638**	–
Over 90 days	**71**	87
	66,452	60,838

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$4,890,000 (2020: HK$7,457,000).

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

During FY2020/21, the Group are principally engaged in (i) the trading of packaged foods, beverages and household consumable products (the "**FMCG Trading Business**"); (ii) the trading of agri-products and the upstream farming business (the "**Agri-Products Business**"); (iii) the provision of cold chain logistics services and value-added post-harvest food processing (the "**Logistics Services Business**") and (iv) other businesses primarily arising from the securities brokerage and margin financing business, and the tourist retailing business (the "**Other Business**"). The first three businesses come together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

During the financial year, China's economy has been gradually recovered after the COVID-19 pandemic (the "**pandemic**"), particularly evidenced by its macroeconomic data during the second half of the financial year under review. China's GDP grew over 18% in the first quarter of 2021, followed by 7.9% growth for the second quarter. The retail sales growth was also resilient during the same period, ranging from 12% to over 30%. Following the rebound of China's economy, the Group's businesses also showed signs of recovery during the second half of the financial year, the total turnover increased by approximately 21.8% compared to the same period in the last financial year, substantially offsetting the decrease of approximately 18.7% in the turnover recorded in the first half of the financial year.

Although China's economy demonstrated a solid rebound, the pandemic did not only affect China, but also most of countries in which the Group's suppliers are located. The pandemic caused widespread disruption to global supply chain, many factories shutdown, freight restrictions and more stringent customs clearance process, the impacts were particularly severe for the Group's traditional trading business and its associated logistics business. The Group faced significant difficulties in maintaining stable supply chain for the FMCG Trading Business and the agri-products trading business. The freight costs have escalated by the pandemic during the financial year stemmed from the decrease in shipping and port handling capacity, resulting in higher import costs and lower gross profit margins. Furthermore, the competition from domestic products has been increasingly fiercer, especially considering their overwhelming advertisements and promotions. The Group had implemented aggressive pricing strategies and offered special discounts to our customers to maintain competitiveness, despite the abovementioned rising import costs caused by the disrupted supply chain and inflated freight costs.

During the financial year, the border restrictions remained in place between China and Hong Kong, which nearly kept all the crowds of mainland Chinese tourists away. The plummeting number of tourists severely affect the tourist retailing business, but the removal of the border restrictions is still highly uncertain in the foreseeable future. Therefore, the Group implemented various austerity measures to minimizes operating expenses during the toughest time. On the other hand, the global financial markets were stimulated by various expansionary policies or pandemic relief packages initiated by major nations, and hence the stock market activities increased correspondingly. The Group also grasped the opportunities and accepted new margin clients and injected additional funding to the securities brokerage and margin financing business during the financial year under review. However, with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations.

In view of the difficulty of ascertaining the effects the pandemic will cause to the global community as a whole, the Group adopted more prudent forecasts for various businesses, which led to substantial impairment losses on the assets, prepayments and receivables across the Group's business segments. Additionally in May 2021, the Group converted the entire convertible bonds issued by Global Mastermind Holdings Limited ("**Global Mastermind**") into its ordinary shares, representing approximately 16.54% of the issued share capital of Global Mastermind as at 30 June 2021. The Group has been cautiously optimistic to the slow and steady recovery of Global Mastermind's business, which was also evidenced by their latest financial results. However, the share price has dropped substantially since then which the Board was not aware of the reasons of such drop and based on the closing share price of Global Mastermind of HK$0.141 as at 30 June 2021, the Group has booked a fair value loss of about HK$48.1 million.

Although the widespread vaccination programs are being implemented across the globe, the Group sees the development of the pandemic is still the biggest threat to the global economy. Furthermore, the intensifying and persistent political tensions, the rise on protectionism and the increasing competition from domestic brands also continuously cast a gloom over the operating environment. Therefore, the Group will take a more cautious stance for future development but would still continuously explore investment opportunities to enrich our investment portfolios and reduce operational risk of the principal businesses by better diversification. On the other hand, the Group will continue to implement cost-saving initiatives, as well as ensure a strong and healthy financial position to weather any unforeseeable headwinds.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$520.3 million as compared to HK$541.9 million for FY2019/20, representing a fall of approximately 4.0%. The decline in revenues was mainly attributable to the decrease in the revenues from the FMCG Trading Business, the agri-products trading business, the Logistics Services Business and the tourist retailing business, and partly offset by the increase in the revenues from the upstream farming business and the securities brokerage and margin financing business. The pandemic unavoidably caused severe impact on the Group's traditional trading business and its associated logistics business. The entire supply chain was disrupted from factory shutdown to freight restrictions, which severely affected the Group in maintaining stable product supply to fulfil the market demand, especially when facing keen competition from other domestic brands. The Group had to adopt more attractive and aggressive offers to our customers for different kinds of products in order to increase its competitiveness. On the contrary, the upstream farming business continuously recorded steady growth over past few years thanks to the improving agricultural knowledge and distribution network accumulated by years of operations, and the lesser negative impact from the pandemic for its supply chain. The increase in the revenue of the securities brokerage and margin financing business was primarily attributable to the new income stream from margin financing business as the Group increased investment in it in view of the stock market recovery during the first half of the financial year as mentioned above, whereas the tourist retailing business was hit hardest by the pandemic as the number of Mainland Chinese visitors decreased significantly. The revenue of the second half of the financial year increased by approximately 21.8% thanks to the gradual recovery of Chinese economy as well as the Group's effort in retaining its competitiveness, which substantially offset the drop of revenues of approximately 18.7% for the first half of the financial year.

Gross profit margin decreased from approximately 5.9% to 3.4% compared to FY2019/20. The decrease was mainly attributable to the Group's more aggressive pricing strategies including special promotions and discounts to our loyal customers to increase stock turnover and maintain competitiveness against domestic brands amid the pandemic. The reduction in selling prices was across different kinds of products, in particular the Group's traditional trading business. Additionally, the freight costs have been soaring due to supply chain bottlenecks that have weighed on global trade and pent-up demand as the world economy attempted to shake off the damage of the pandemic. The freight rates for some routes were up to certain extent during the financial year, which in turn increasing the purchase costs for imported products. Notwithstanding the above, the Group could not transfer the increased costs to customers easily amid the keen competition from domestic brands. As a result, the gross profit margin dropped across different business segments.

Changes in fair value due to biological transformation increased from approximately HK$32.7 million to approximately HK$38.7 million. The increase was mainly attributable to the increased plantation costs and overheads from larger scale of operations.

Other gains and income decreased from approximately HK$33.8 million to approximately HK$20.5 million compared to FY2019/20. The gains and income mainly represented interest income from investments including two convertible bonds and a bond of approximately HK$11.3 million, interest income from bank deposits of approximately HK$2.2 million and an exchange gain of approximately HK$5.2 million.

Selling and distribution expenses decreased by approximately 34.4% from approximately HK$55.5 million to approximately HK$36.4 million compared to FY2019/20, representing approximately 7.0% of total revenue (FY2019/20: 10.2%). The decrease in the selling and distribution expenses as a percentage of turnover was mainly attributable to the Group's more stringent cost saving initiatives for the traditional trading businesses and using more outsourced logistics instead of our own transportation team to reduce operating costs and reduction in sales force headcounts. 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 15.3% from approximately HK$77.5 million to approximately HK$65.6 million compared to FY2019/20. The decrease was mainly attributable to the various cost saving initiatives taken by the Group.

Impairment losses on trade receivables and deposits and other receivables were approximately HK$35.3 million (FY2019/20: HK$58.6 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$160.2 million to approximately HK$111.8 million. The expenses mainly represented impairment losses of approximately HK$65.5 million on the fixed assets, right-of-use assets, goodwill, other intangible assets and prepayments, a net loss on fair value change on the investments in Global Mastermind and China Healthwise Holdings Limited of approximately HK$42.2 million as well as a net loss on redemption of the convertible bonds of approximately HK$4.1 million. For the financial year under review, as the Group recorded segment losses for the Group's business segments, and given the persistent gloomy economic outlook and challenging environment, the Board had continued to adopt a cautious approach on the profit forecasts on these segment businesses, which resulted in recoverable amounts of the business segments less than the carrying amounts and hence substantial impairments were recognised.

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

Net loss for the year ended 30 June 2021 was approximately HK$247.2 million (FY2019/20: HK$318.4 million). The decrease in the net loss was mainly attributable to a combination of approximately 34.4% decrease in selling and distribution expenses, approximately 15.3% decrease in administrative expenses, approximately HK$71.8 million decrease in impairment losses on trade receivables and deposits and other receivables and other operating expenses, and partly offset by approximately 4.0% decrease in turnover, approximately 2.5% decrease in gross profit margin, approximately HK$6.0 million increase in loss of changes in fair value due to biological transformation and approximately HK$13.2 million decrease in other gains and income.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells finished FMCG 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$313.0 million in revenues to the Group for FY2020/21, decreased by approximately 2.9% from that contributed in FY2019/20. The decrease in revenues was primarily attributable to the impact from the pandemic and the fierce competition against domestic brands. The revenue of the FMCG Trading Business continuously dropped due to the negative impact from the pandemic, many countries where the Group's suppliers are located were severely affected, which put the Group at a disadvantage in maintaining stable product supply and variety to meet customers' needs. The Group had to adopt more attractive and aggressive offers to our customers for different kinds of products to mitigate the negative impact from the pandemic. Furthermore, the soaring freight costs and supply chain bottlenecks further weakened the Group's imported products to compete with domestic brands. During the financial year, the supply chains were seriously challenged by port congestion caused by pandemic-induced port closure and labour shortage due to quarantine measures by different countries. The Group faced not only the increase in shipping rates, but also the difficulty in restocking inventories timely.

As a result of the above unfavourable conditions, the gross profit margins of the FMCG Trading Business further deteriorated stemmed from the decrease in selling prices and the increase in import costs during the financial year. In order to counteract the severe operating environment, the Group had to implement various austerity measures, in particular those reducing selling and distribution expenses such as decreasing number of sales force headcounts, exhibitions and marketing events. The Group successfully reduced considerable amount of selling and distribution expenses by cost saving measures. Nevertheless, the

Group will continue to implement relatively aggressive pricing strategies for a longer period of time in view of the difficulty in ascertaining how long the pandemic will last and the level of its impact on the global economy, and simultaneously the Group will continue to adopt a sustainable business model to develop the FMCG Trading Business by strengthening the long term relationship and collaboration with the suppliers and customers, as well as implementing various cost saving initiatives to reduce operating expenses.

This business unit can be classified into three categories including packaged foods, beverages and household consumable products with their respective contribution of approximately 70%, 24% and 6%. 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.

Agri-Products Business

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. This business unit generated HK$200.8 million for the FY2020/21, down approximately 0.8% as compared to the HK$202.5 million generated in FY2019/20. Similar to the FMCG Trading Business, the revenue of this business segment was also affected by the pandemic, the keen competition and the disrupted supply chains. The competition for imported fresh produce market remained fierce due to rising import costs and persistent anti-extravagance atmosphere. On the contrary, the upstream farming business recorded steady revenue growth during the financial year thanks to its gradual expansion, better distribution channels and agricultural skills.

Agri-Products Trading Business

The competition for the Chinese fruit market was very intense as the gap in product quality and product variety between domestic fruits and imported fruits have been shrinking over past few years, which led to the continuous improvement in the popularity of domestically produced fruits. This was further exacerbated by the intensifying global protectionism and more complicated customs formalities, not to mention how large the impact from the pandemic on the stability of product supply, freight transport and warehouse storage operations for imported fruits, especially considering the short life cycle and perishable nature of agricultural products. Similar to the FMCG Trading Business, the Group reduced selling prices for most of agri-products in order to maintain market share, in spite of the increasing imported costs as a result of the surging freight costs and stringent customs formalities. Notwithstanding the above, the revenues of the agri-products business have been stabilizing since the second half of the financial year, following the recovery of Chinese economy and the Group's effective promotions and discounts. Meanwhile, the Group has been developing its trading business for domestic fresh produce as a supplementary business, of which the gross profit margin was more stable than its counterparts of the imported fruits in weak market conditions. The percentage of its revenue over the total revenue of the agri-products trading business was approximately 24.2%, which was fairly stable compared to approximately 25.2% of last financial year. The Group will continue to develop its domestic fresh produce business by leveraging on the improving sourcing network and the well-established distribution channels.

Furthermore, the Group has been evaluating an expansion of the operations of food processing and warehouse storage for agri-products in southern China, which is currently operated in a leased premises in Zhongshan, where occasionally reached its capacity due to its size limitation.

Upstream Farming Business

During the financial year under review, the Group continued to carefully operate in the plantations of early crop oranges and ponkans in the Jiangxi's farming base. The revenue of the upstream farming business increased by approximately by 33.7% from HK$9.8 million to HK$13.1 million compared to last financial year. The increase was primarily attributable to additional arable land deployed and its improving distribution channels and agricultural skills accumulated by years of operations, although the upstream farming business was also affected by the pandemic. Furthermore, the unpredictable inclement weather and the rising labour costs remained one of largest uncertainties, the Group strived to mitigate these negative impacts by virtue of years of operating experience to work more closely with China's authorised institutions in weather forecasting and implement advanced agricultural technology for more efficient operations.

To facilitate the development of this business unit, the Group has been proactively developing a project including the construction of a fruit processing centre and the development of agri-tourism business nearby. The fruit processing centre will be completed by 31 December 2021 and its operations will be commenced no later than the first half of 2022 after obtaining relevant permits from the authorities. The centre will be equipped with cold chain storage and other advanced machineries to enable it providing a full range of services from washing, packaging to warehousing for the Group's and other third parties' agricultural products. The remaining part of the project including agri-tourism facilities such as pick-your-own farm and recreational facilities will be carefully developed subject to the development of the pandemic.

On 23 September 2020, the Group entered into a memorandum of understanding for exploring an opportunity to develop ecological agricultural business. However, since the Group and the negotiating party could not reach an agreement, the memorandum of understanding lapsed on 22 December 2020 and the project would not proceed.

Logistics Services Business

The Logistics Services Business provides a full range of services to customers including cold-chain facilities, warehousing, food processing production lines for fresh produces, as well as cross-border trucking fleets for nationwide and regional distribution. During the financial year under review, revenue from logistics services dropped by approximately 76.5% from approximately HK$9.5 million to HK$2.2 million compared to the last financial year. The Group has been reviewing this business unit thoroughly in the light of various containment policies such as lockdown and quarantine measures undertaken in China during the pandemic. The provision of associated logistics services to the Group's customers became particularly difficult and not financially viable considering the enduring impact of the pandemic and its relevant high operation and maintenance costs. Therefore, the Group reduced scale of its own but outsourced part of delivery and logistics services for customers during the financial year, which could reduce certain amount of operating costs and selling and distribution expenses but the revenue of this business unit inevitably decreased correspondingly.

Other Business

The Other Business contains providing securities trading, margin financing and IPO subscription brokerage services through Sino Wealth Securities Limited ("**Sino Wealth**") and operating tourist retailing business. The revenue of the securities brokerage and margin financing business, primarily brokerage commission and margin financing interest income, increased by approximately 102.8% compared to the last financial year. The increase in the revenue of the securities brokerage and margin financing business was primarily attributable to the interest income from margin financing to its customers during the year.

The net proceeds of about HK$207.3 million of the rights issue completed on 11 January 2017 was earmarked for the securities brokerage and margin financing business, of which HK$20 million was used after completion of the rights issue, HK$40 million had been used by various capital injections into Sino Wealth from July 2020 to September 2020 and HK$20 million had been used by capital injection in Sino Wealth in November 2020. Hence, a total of HK$80 million has been used as intended.

The Group has grasped the opportunities of financial market recovery and accepted new margin clients and injected additional funding to the securities brokerage and margin financing business during the financial year accordingly. However, the benefit to our Group is very limited and the size of operation of the brokerage business has still been sub-optimal. Further, the Group realized that with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations.

In view of the business and trading environment that the Group's business will face in the future, the Board considers that it would be most reasonable and resolved on 10 March 2021 to change the use of the remaining balance of the proceeds of about HK$127.3 million of the rights issue to further enhance the existing and principal businesses of the Group. Details of the use of the remaining proceeds was set out in the section "Use of Proceeds from Rights Issue" of this announcement.

The tourist retailing business has been hit hardest during the financial year and there were no any signs of recovery. The drastic plunge in the tourism industry from the mainland Chinese visitors in Hong Kong continuously brought strong blow to the tourist retailing business. As the removal of the border restrictions between China and Hong Kong still remained highly uncertain, it is expected that it would take a long period of time for the tourism industry returning to regular level in Hong Kong. The Group has been carefully reviewing this business unit and implementing various austerity measures to reduce its operating expenses.

On 28 May 2021, the Group entered into a memorandum of understanding for exploring an opportunity to invest with a minority interest in a company principally engaged in the provision of cryptocurrency investment and exchange platform and the provisions of digital asset custody and digital wealth management. On 26 July 2021, the Group entered into a supplemental memorandum of understanding to extend the exclusivity period from the original two months to five months from the date of the memorandum of understanding for allowing additional time for due diligence review.

PRINCIPAL RISKS AND UNCERTAINTIES

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

1) Economic and Financial Market Volatility

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

2) Increasing Market Competition

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

3) Increasing Political Risks

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

4) Supply Chain Risk

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

5) Inclement Weather Condition

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

6) Financial Risk

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

KEY RELATIONSHIP

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

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

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

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

During FY2020/21, there was no material and significant dispute between the Group and its employees, suppliers and customers.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the management are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During FY2020/21, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

At 30 June 2021, the Group held a convertible bond issued by China Healthwise Holdings Limited ("**China Healthwise**"), a bond issued by Graphex Group Limited ("**Graphex**", formerly Earthasia International Holdings Limited) and shares in Global Mastermind.

China Healthwise is a listed company in 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. On 28 August 2020, a supplemental agreement was signed to conditionally extend the original maturity date of the then outstanding principal amount of the convertible bond issued by China Healthwise for another two years to 10 October 2022. An extraordinary general meeting was held on 7 October 2020 with shareholders' approval obtained, and the proposed amendments became effective on 10 October 2020.

During the financial year ended 30 June 2021, China Healthwise redeemed in total HK$18 million of the convertible bond. As at 30 June 2021, the outstanding principal amount was HK$81 million and the fair value of the Group's investment in the convertible bond issued by China Healthwise was approximately HK$85.0 million (30 June 2020: HK$97.1 million), representing approximately 6.0% (30 June 2020: 6.0%) of the Group's total assets, and recorded an unrealised fair value gain on investment of approximately HK$5.8 million and an interest income of approximately HK$5.1 million during the financial year.

Graphex is a listed company in the main board of the Stock Exchange and together with its subsidiaries are principally engaged in the business of processing and sale of graphite and graphene related products, landscape architecture business and catering business. At 30 June 2021, the outstanding principal amount was HK$25.5 million and the fair value of the Group's investment in its bond was approximately HK$25.6 million (30 June 2020: HK$25.9 million), representing approximately 1.8% of the Group's total assets (30 June 2020: 1.6%), and recorded a decrease in investment revaluation reserve of approximately HK$0.3 million and an interest income of approximately HK$1.5 million for the financial year.

Global Mastermind is a listed company in the GEM of the Stock Exchange and together with its subsidiaries are principally engaged in provision and operation of travel business, treasury management business, money lending business, brokerage business, asset management and corporate finance advisory services. On 25 September 2020, a subscription agreement was signed to conditionally subscribe a new convertible bond issued by Global Mastermind in the principal amount of HK$60 million. The subscription price was offset and deducted on a dollar-to-dollar basis from the repayment of all sums due under the previous convertible bond payable by Global Mastermind to the Group due on 12 November 2020. An extraordinary general meeting was held on 10 November 2020 with shareholders' approval obtained, and the subscription took place on 12 November 2020.

In May 2021, the Group converted the entire convertible bond in the principal amount of HK$60 million into its ordinary shares at the adjusted conversion price of HK$0.71 per share, and received 84,507,042 shares of Global Mastermind, representing about 16.54% of the issued share capital of Global Mastermind as enlarged by the issue and allotment of the said shares.

At 30 June 2021, the Group held the said 84,507,042 shares as financial assets at fair value through profit or loss and will remain as a passive investor in Global Mastermind by continuing holding its shares. At 30 June 2021, the fair value of the Group's investment in its shares was approximately HK$11.9 million, representing approximately 0.8% of the Group's total assets, and recorded an unrealised net fair value loss on investment of approximately HK$48.1 million. Prior to the share conversion, there were a loss on redemption of the convertible bond of Global Mastermind of approximately HK$4.1 million and an interest income of approximately HK$4.7 million during the financial year.

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

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

At 30 June 2021, the Group had interest-bearing borrowings of approximately HK$15.7 million (30 June 2020: HK$20.4 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 2021 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$0.1 million (30 June 2020: HK$Nil) and pledged bank deposits of certain subsidiaries in carrying amount of approximately HK$17.1 million (30 June 2020: HK$0.4 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 2021, the Group did not have any significant hedging instrument outstanding.

At 30 June 2021, the Group's current assets amounted to approximately HK$779.0 million (30 June 2020: HK$1,004.3 million) and the Group's current liabilities amounted to approximately HK$106.9 million (30 June 2020: HK$110.2 million). The Group's current ratio maintained at a level of approximately 7.3 at 30 June 2021 (30 June 2020: 9.1). At 30 June 2021, the Group had total assets of approximately HK$1,407.5 million (30 June 2020: HK$1,630.8 million) and total liabilities of approximately HK$121.7 million (30 June 2020: HK$125.4 million) with a gearing ratio of approximately 1.1% (30 June 2020: 1.3%). 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 2021 and 2020.

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**"), which was originally earmarked for the securities brokerage business for compliance with its financial resources and for future expansion purpose such as the further development of its margin clients business. HK$20 million was used after completion of the rights issue, HK$40 million had been used by various capital injections into Sino Wealth from July 2020 to September 2020 and HK$20 million had been used by capital injection in Sino Wealth in November 2020. Hence, a total of HK$80 million has been used as intended.

Since the completion of the Rights Issue, there have been several major and unprecedented events that have happened and have been happening worldwide that the Board could not have anticipated when making the original plan for the brokerage business, including the Hong Kong political unrest, global trade war, coronavirus pandemic, the consequential volatile securities market and their impact on the Hong Kong community as a whole and the securities and financial market in particular.

Although the Board noted that the securities brokerage business has benefited from the increase in the stock market transactions during the second half of 2020 partially due to the expansionary policies taken or pandemic relief packages initiated by major countries, and that our brokerage business has grasped the opportunities and accepted new margin clients and hence injected additional funding to the brokerage business, the benefit to our Group is very limited and the size of operation of the brokerage business has still been sub-optimal.

Further, the Board realized that with the changed market and political environment in recent years, certain political and market risks that potentially may affect the securities markets could not be adequately anticipated unless the global markets have better and clearer understanding to the forthcoming geopolitical and pandemic situations.

On the other hand, and in view of the extended period that has been passed since the completion of the Rights Issue, and upon review of the Group's business segments and the business and trading environment that the Group's business will face in the future, the Board on 10 March 2021 resolved and announced the change of the use of the remaining balance of the proceeds of approximately HK$127.3 million of the Rights Issue to further enhance the existing and principal businesses of the Group.

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	Utilised during the year ended 30 June 2021	Utilised as at 30 June 2021	Remaining Proceeds as at 30 June 2021	Expected timeline for the intended use
(i)	Securities brokerage business for compliance with its financial resources and for future expansion purpose	80.0	60.0	80.0	–	–
(ii)	Upgrade of cold storage and logistics facilities in Shanghai	12.0	9.0	9.0	3.0	by 31 December 2021
(iii)	Renovation and equipping of fruit processing centre in Jiangxi	14.0	–	–	14.0	by 31 December 2021
(iv)	Installation of cold storage and logistics facilities in Jiangxi	17.0	7.4	7.4	9.6	by 31 March 2022
(v)	Set up of new processing agri-product centre in Dongguan	34.0	–	–	34.0	by 31 March 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	6.0	–	–	6.0	by 31 May 2022
(viii)	Promotion and marketing activities	10.0	0.3	0.3	9.7	by 30 June 2022

Approximate HK$ million	Planned use of proceeds as disclosed in the announcement of the Company dated 10 March 2021	Utilised during the year ended 30 June 2021	Utilised as at 30 June 2021	Remaining Proceeds as at 30 June 2021	Expected timeline for the intended use
(ix) Set up of an agri-tourism park with various facilities in Jiangxi	27.0	–	–	27.0	by 30 June 2022
(x) Working capital and general corporate purposes	3.3	–	–	3.3	by 30 June 2022
Total	207.3	76.7	96.7	110.6	

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2021, the Group had approximately 320 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 2021, no forfeited contributions by the Group on behalf of employees who leave the scheme prior to vesting fully in such contributions was used by the Group to reduce the existing level of contributions. The Group has adopted a share option scheme as well as a share award plan of which the Board may, at its discretion, grant options or award shares to eligible participants of the share option scheme and the share award plan respectively. At 30 June 2021, the Company had no share option outstanding (30 June 2020: Nil). No share was purchased for the share award plan and no share award was granted since the adoption of the share award plan to 30 June 2021.

DEVELOPMENT AND PROSPECTS

The pandemic posed an unprecedented challenge to the global economy, despite the fact that China's economy has been recovering, the overall operating environment remained difficult, especially considering the global supply chain disruption and the keen competition from domestic brands.

For the traditional trading businesses including the FMCG Trading Business and the agri-products trading business, the Group will continue to reinforce their operations by reinforcing the relationship with suppliers, in particular considering the increasing importance of the cooperation with them to smoothen the supply chain process in such an uncertain time. Furthermore, the increasing popularity of cross-border internet shopping also poses a threat to the Group's current trading business, a strong procurement network is of utmost importance to maintain the Group's competitiveness. The Group will resume its procurement network expansion when the global traffic returns to normal to enhance product portfolio and variety. On the other hand, in view of tight liquidity and uncertain economic outlook, the Group will take a more prudent approach by stopping selling products to customers with weak creditworthiness, but will implement relatively aggressive pricing strategies to our loyal and high quality customers for a longer period of time amid the weak market conditions.

As aforesaid, the Group has been reviewing the operations of the Logistics Services Business. The pandemic continuously affects the trading business volume and the supply chain process, but the fixed operating costs such as maintenance and labour costs remain high and cannot be reduced substantially. Therefore, the Group will continue to monitor the market situation and the financial viability to determine its optimal operating level.

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

For the securities brokerage and margin financing business, the Group will decelerate its developments in such uncertain and volatile market conditions after the additional injections conducted during the financial year. For the tourist retailing business, the Group will focus on cost saving initiatives and implement more stringent austerity measures until the removal of the border restrictions.

Furthermore, the Group has continuously been exploring suitable investment opportunities to enhance the Group's investment portfolios. The new business will not only provide a potential growth driver, but also reduce the concentration risk, especially when the outlook for the traditional trading businesses is highly uncertain. As aforesaid, the due diligence review and negotiations for investing in a minority interest in a company principally engaged in the provision of cryptocurrency investment are being processed as of the date of this announcement. In any event, the Group will evaluate every investment opportunity on a conservative basis.

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

DIVIDEND

The Board does not recommend the payment of a final dividend for the financial year ended 30 June 2021 (2020: Nil).

CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and complied with all the applicable code provisions of the CG Code throughout the financial year ended 30 June 2021, except with deviation from code provision A.2.1.

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' securities transactions. Having made specific enquiry of all Directors, they all confirmed that they had fully complied with the required standard set out in the Model Code throughout the financial year ended 30 June 2021.

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

Throughout the financial year ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ANNUAL RESULTS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 30 June 2021 as set out in the preliminary announcement have been reviewed by Audit Committee and agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF THE RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This final results announcement is available for viewing on the websites of the Stock Exchange and the Company. The 2020/21 annual report of the Company will be dispatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 30 September 2021

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