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 2024 AND CHANGE OF USE OF PROCEEDS FROM RIGHTS ISSUE 2017

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 2024 together with the comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 30 June 2024

	Note	**2024** *HK$'000*	2023 *HK$'000*
Revenue	*3*	**441,951**	440,600
Cost of sales		**(405,318)**	(409,124)
Gross profit		**36,633**	31,476
Changes in fair value due to biological transformation		**(19,715)**	(41,896)
Other gains and income		**12,271**	10,073
Selling and distribution expenses		**(43,610)**	(30,532)
Administrative expenses		**(62,355)**	(64,279)
Impairment losses on trade receivables and deposits and other receivables		**(6,266)**	(2,804)
Impairment losses on non-financial assets		**(112,840)**	–
Other operating expenses		**(480)**	(27,217)
Loss from operations		**(196,362)**	(125,179)
Finance costs	*5*	**(326)**	(550)
Loss before tax		**(196,688)**	(125,729)
Income tax credit	*6*	**240**	133
Loss for the year attributable to owners of the Company	*7*	**(196,448)**	(125,596)
			(Restated)
Loss per share	*9*		
Basic		**HK$(1.74)**	HK$(1.18)
Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2024

	2024	2023
	HK$'000	*HK$'000*
Loss for the year	**(196,448)**	(125,596)
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Fair value change on revaluation of buildings	**(2,973)**	(912)
Deferred tax liability on revaluation of buildings	**743**	228
	(2,230)	(684)
Items that have been or may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(1,043)**	(14,027)
Exchange differences reclassified to profit or loss on deregistration of subsidiaries	**(967)**	72
Release of reserve upon redemption of financial assets at fair value through other comprehensive income	**–**	1,915
	(2,010)	(12,040)
Other comprehensive income for the year attributable to owners of the Company, net of tax	**(4,240)**	(12,724)
Total comprehensive income for the year attributable to owners of the Company	**(200,688)**	(138,320)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Note	2024 HK$'000	2023 HK$'000
ASSETS			
Non-current assets			
Fixed assets		**182,034**	207,485
Right-of-use assets		**25,781**	41,082
Construction in progress		**14,971**	70,299
Bearer plants		**50,045**	89,473
Goodwill		**–**	–
Other intangible assets		**3,822**	374
Other assets		**205**	673
Investment in a club membership		**108**	108
Investments		**69,035**	63,504
Deferred tax assets		**9,193**	8,733
		355,194	481,731
Current assets			
Biological assets		**12,096**	17,878
Inventories		**97,811**	105,317
Trade receivables	*10*	**195,343**	202,298
Prepayments, deposits and other receivables		**120,651**	120,196
Investments		**3,669**	4,877
Pledged bank deposits		**2,000**	12,183
Client trust bank balances		**265**	7,199
Bank and cash balances		**82,527**	121,830
		514,362	591,778
TOTAL ASSETS		**869,556**	1,073,509

	Note	2024 *HK$'000*	2023 *HK$'000*
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		**1,576**	210,141
Reserves		**785,315**	759,929
Total equity		**786,891**	970,070
Non-current liabilities			
Lease liabilities		**5,090**	5,687
Deferred tax liabilities		**11,756**	12,367
		16,846	18,054
Current liabilities			
Trade payables	*11*	**55,601**	64,106
Accruals and other payables		**9,311**	9,197
Borrowings		**147**	10,460
Lease liabilities		**760**	1,622
		65,819	85,385
Total liabilities		**82,665**	103,439
TOTAL EQUITY AND LIABILITIES		**869,556**	1,073,509
Net current assets		**448,543**	506,393
Total assets less current liabilities		**803,737**	988,124

1. BASIS OF PREPARATION

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

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

2. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 July 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial position and performance.

*Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("**MPF**") — Long Service Payment ("**LSP**") offsetting mechanism in Hong Kong*

The Group has several subsidiaries operating in Hong Kong which are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap.57). In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19.

This change in accounting policy has had no material impact on the Group's financial position and performance for the current and prior years.

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

The Group has not early applied the following new and amendments to standards and interpretation that have been issued but are not yet effective:

	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
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("**HK Int 5 (Revised)**")	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025
Annual Improvements to HKFRS Accounting Standards — Volume 11	1 January 2026
HKFRS 18 — Presentation and Disclosure in Financial Statements	1 January 2027

Except for new standard mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

Impact of HKFRS 18 "Presentation and Disclosure in Financial Statements"

In July 2024, HKICPA issued HKFRS 18 which is effective for annual reporting periods beginning on or after 1 January 2027, with early application permitted. HKFRS 18 introduces significant changes to the presentation of financial statements, with a focus on information about financial performance present in the statement of profit or loss, which will affect how the Group present and disclose financial performance in the financial statements. The key changes introduced in HKFRS 18 relate to (i) the structure of the statement of profit or loss, (ii) required disclosures for management-defined performance measures (which are referred to alternative or non-GAAP performance measures), and (iii) enhanced requirements for aggregation and disaggregation of information. The management is currently assessing the impact of applying HKFRS 18 on the presentation and the disclosures of 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:

	2024	2023
	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	**266,463**	273,726
— Sales of agri-products	**172,500**	163,635
— Commission and brokerage income on securities dealings	**607**	947
	439,570	438,308
Revenue from other sources		
— Interest income from margin financing	**2,381**	2,292
	441,951	440,600

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 2024			
	Consumer goods *HK$'000*	**Agri-products** *HK$'000*	**Securities dealing services** *HK$'000*	**Total** *HK$'000*
Primary geographical markets				
Hong Kong	**–**	**50,860**	**607**	**51,467**
People's Republic of China (the "**PRC**") except Hong Kong	**266,463**	**121,640**	**–**	**388,103**
Revenue from external customers	**266,463**	**172,500**	**607**	**439,570**
Timing of revenue recognition				
Products and services transferred at a point in time	**266,463**	**172,500**	**607**	**439,570**

	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

4. 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 fast moving consumer goods including packaged foods, beverages and household consumable products ("**FMCG Trading Business**"); and

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

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

The Group's other operating segments include the provision of securities dealing and margin financing services. 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.

Segment loss does not include gain or loss from investments, certain other gains and income, certain finance costs, gain or loss on deregistration of subsidiaries, gain on disposal of a subsidiary and unallocated corporate expenses. Segment assets do not include investments, certain prepayments, deposits and other receivables, pledged bank deposits and certain bank and cash balances. Segment non-current assets do not include investments, investment in a club membership and certain fixed assets. Segment liabilities do not include certain borrowings, certain accruals and other payables and certain lease liabilities. Segment non-current liabilities do not include certain lease liabilities and certain deferred tax liabilities.

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 2024				
Revenue from external customers	**266,463**	**172,500**	**2,988**	**441,951**
Segment loss	**(14,137)**	**(169,072)**	**(3,113)**	**(186,322)**
Depreciation and amortisation	**7,291**	**32,768**	**6**	**40,065**
Income tax expense/(credit)	**55**	**55**	**(460)**	**(350)**
Other material non-cash items:				
Changes in fair value due to biological transformation	**–**	**19,715**	**–**	**19,715**
Impairment losses/(reversal of impairment losses) on trade receivables and deposits and other receivables, net	**3,261**	**(1,339)**	**4,344**	**6,266**
Impairment loss on fixed assets	**–**	**55,054**	**–**	**55,054**
Impairment on right-of-use assets	**–**	**10,621**	**–**	**10,621**
Impairment loss on construction in progress	**–**	**10,297**	**–**	**10,297**
Impairment loss on bearer plants	**–**	**34,421**	**–**	**34,421**
Impairment loss on prepayments	**–**	**2,447**	**–**	**2,447**
Additions to segment non-current assets	**9,746**	**26,358**	**–**	**36,104**
At 30 June 2024				
Segment assets	**348,243**	**350,018**	**27,232**	**725,493**
Segment liabilities	**35,200**	**36,154**	**1,640**	**72,994**

	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 and deposits 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

Reconciliations of reportable segment loss, assets and liabilities:

	2024	2023
	HK$'000	*HK$'000*
Loss		
Total loss of reportable segments	**(186,322)**	(83,307)
Fair value gain/(loss) on financial assets at fair value through profit or loss ("**FVTPL**"), net	**4,323**	(26,144)
Gain on disposal of a subsidiary	**10**	–
Gain/(loss) on deregistration of subsidiaries, net	**911**	(47)
Unallocated amounts:		
Other corporate expenses	**(15,370)**	(16,098)
Consolidated loss for the year	**(196,448)**	(125,596)
Assets		
Total assets of reportable segments	**725,493**	922,753
Unallocated amounts:		
Investments	**72,704**	68,381
Other corporate assets	**71,359**	82,375
Consolidated total assets	**869,556**	1,073,509
Liabilities		
Total liabilities of reportable segments	**72,994**	82,856
Unallocated amounts:		
Other corporate liabilities	**9,671**	20,583
Consolidated total liabilities	**82,665**	103,439

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**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**53,848**	47,282	**1,212**	2,816
PRC except Hong Kong	**388,103**	393,318	**272,709**	406,005
Others	**–**	–	**2,840**	468
Consolidated total	**441,951**	440,600	**276,761**	409,289

Revenue from major customer:

For the years ended 30 June 2024 and 2023, 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

	2024	2023
	HK$'000	*HK$'000*
Interest on borrowings	**48**	150
Interest expenses on lease liabilities	**278**	400
	326	550

6. INCOME TAX CREDIT

	2024	2023
	HK$'000	*HK$'000*
Deferred tax	**(240)**	(133)

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.

The Company's two subsidiaries operating in Macau were subject to Macau Profit Tax at the rate of 12% (2023: 12%) in compliance with relevant Macau tax regulations. The first MOP$600,000 of assessable profits of these subsidiaries are tax-free and the remaining assessable profits are taxed at 12%.

The provision for income tax of subsidiaries operating in the PRC have been calculated at the rate of 25% (2023: 25%), based on existing legislation, interpretation and practices in respect thereof.

The domestic statutory tax rate of Australia is 30% of the estimated assessable profits.

The reconciliation of the income tax (credit)/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:

	2024					2023			
	Macau	**Hong Kong**	**PRC**	**Australia**	**Total**	Macau	Hong Kong	PRC	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Loss before tax	**(6,692)**	**(10,101)**	**(179,865)**	**(30)**	**(196,688)**	(4,643)	(39,793)	(81,293)	(125,729)
Applicable income tax rate	**12%**	**16.5%**	**25%**	**30%**		12%	16.5%	25%	
Tax at the applicable income tax rate	**(803)**	**(1,667)**	**(44,966)**	**(9)**	**(47,445)**	(557)	(6,566)	(20,323)	(27,446)
Tax effect of income not taxable	**–**	**(1,120)**	**(4,110)**	**–**	**(5,230)**	–	(214)	(3,817)	(4,031)
Tax effect of loss and expenses not deductible	**1,183**	**2,179**	**47,316**	**9**	**50,687**	557	5,255	22,108	27,920
Tax effect of unused tax losses not recognised	**–**	**252**	**1,802**	**–**	**2,054**	–	890	2,000	2,890
Tax effect of utilisation of tax losses not previously recognised	**–**	**(187)**	**–**	**–**	**(187)**	–	–	–	–
Tax effect of unrecognised temporary difference	**(380)**	**83**	**178**	**–**	**(119)**	–	282	252	534
Income tax (credit)/expense	**–**	**(460)**	**220**	**–**	**(240)**	–	(353)	220	(133)

7. LOSS FOR THE YEAR

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

	2024	2023
	HK$'000	*HK$'000*
Amortisation of other intangible assets	**5,460**	–
Auditors' remuneration		
Audit services	**2,582**	2,608
Non-audit services	**–**	181
	2,582	2,789
Cost of inventories sold	**399,070**	408,195
Depreciation on fixed assets, net of amount capitalised	**20,772**	17,005
Depreciation on right-of-use assets, net of amount capitalised	**16,396**	10,295
Exchange losses, net	**106**	1,026
Fair value (gain)/loss on financial assets at FVTPL, net	**(4,323)**	26,144
(Gain)/loss on deregistration of subsidiaries, net	**(911)**	47
(Gain)/loss on disposal of fixed assets, net	**(18)**	1
Impairment losses on non-financial assets		
Impairment loss on fixed assets	**55,054**	–
Impairment loss on right-of-use assets	**10,621**	–
Impairment loss on construction in progress	**10,297**	–
Impairment loss on bearer plants	**34,421**	–
Impairment loss on prepayments	**2,447**	–
	112,840	–
Impairment loss on trade receivables	**9,860**	3,485
Reversal of impairment loss on trade receivables	**(3,545)**	(7)
Reversal of impairment loss on other receivables	**(49)**	(674)
Fixed assets written off	**–**	358
Intangible assets written off	**374**	–
Rental income #	**(977)**	(724)
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**20,285**	21,482
Retirement benefits scheme contributions	**453**	522
	20,738	22,004

Included in sales of agri-products in note 3.

8. DIVIDENDS

The Board does not recommend the payment of a final dividend in respect of the year ended 30 June 2024 (2023: 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$196,448,000 (2023: HK$125,596,000) and the weighted average number of ordinary shares of 112,809,468 (2023: 106,529,670 (restated)) in issue during the year after adjusting the effect of share consolidation on the basis of twenty ordinary shares being consolidated into one ordinary share in December 2023 and the effect of the rights issue in May 2024. The basic loss per share for 2023 had been restated accordingly.

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 2024 and 2023.

10. TRADE RECEIVABLES

		2024	2023
		HK$'000	*HK$'000*
Trade receivables arising from			
Trading	*(note (a))*	**184,818**	187,319
Dealing in securities and margin financing			
— Cash clients	*(note (b))*	**5,850**	6,899
— Margin clients	*(note (c))*	**36,346**	33,961
		227,014	228,179
Impairment loss on trade receivables		**(31,671)**	(25,881)
		195,343	202,298

Notes:

(a) For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 210 days (2023: 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:

	2024	2023
	HK$'000	*HK$'000*
1–30 days	**43,322**	49,961
31–60 days	**30,177**	34,573
61–90 days	**29,673**	27,436
Over 90 days	**74,946**	70,619
	178,118	182,589

At 30 June 2024, trade receivables arising from trading of approximately HK$4,705,000 (2023: HK$5,457,000) 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:

	2024	2023
	HK$'000	*HK$'000*
Up to 90 days	**3,947**	5,450
Over 90 days	**758**	7
	4,705	5,457

As at 30 June 2024, trade receivables arising from trading are unsecured and interest-free.

(b) At 30 June 2023, cash client receivables arising from dealing in securities which were neither past due nor impaired of approximately HK$96,000 represented 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 was considered as past due when the client fails to settle its securities trading balances on the settlement date. At 30 June 2024, cash client receivables of approximately HK$5,850,000 (2023: HK$6,803,000) were past due. Approximately HK$5,850,000 (2023: HK$5,839,000) was impaired for which net impairment loss of approximately HK$536,000 (2023: HK$369,000) 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 2024, cash client receivables from dealing in securities past due are unsecured and bear interest of 9.25% per annum (2023: 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 2024, margin client receivables arising from margin financing are interest-bearing at rates ranging from 6% to 8% per annum (2023: 6% to 8% per annum).

As at 30 June 2024, the total market value of securities pledged as collateral in respect the margin loans to customers are approximately HK$17,225,000 (2023: HK$28,243,000).

11. TRADE PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables arising from		
Trading	**55,336**	57,097
Dealing in securities		
— Cash clients	**265**	6,919
— Clearing house	**–**	90
	55,601	64,106

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 represent 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:

	2024	2023
	HK$'000	*HK$'000*
1–30 days	**17,730**	35,403
31–60 days	**18,243**	20,790
61–90 days	**9,538**	904
Over 90 days	**9,825**	–
	55,336	57,097

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$265,000 (2023: HK$7,199,000).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

During FY2023/24, 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 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 FY2023/24, the global economy continued to face a number of challenges, including slow global economic growth coupled with high interest rate environments, political uncertainty stemmed from the presidential election in the United States and the escalating tensions between China and the United States, as well as the negative spillovers from the wars in Ukraine and the Middle East. In China, the economic growth continued to be dragged down by the real estate crisis and the weak market demand after the novel coronavirus disease 2019 (COVID-19) (the "**pandemic**"). While merely mediocre growth was recorded in the first three quarters of FY2023/24, the Chinese GDP growth was even worse and dropped to 4.7% in the last quarter of FY2023/24, which was the weakest yearly advance since the first quarter of 2023, reflecting the lack of growth momentum after a short-lived post-pandemic rebound. Simultaneously, although the retail sales recorded impressive growth during the first half of FY2023/24, it grew much slower at the rate between two and three percent in the second half, implying consumers remained quite reluctant to spend in the midst of sluggish economy. On the other hand, the competition from domestic products remained fierce, especially considering their overwhelming advertisements and promotions, weak Renminbi further undermined the imported products' competitiveness. The Group's traditional trading business for imported products also encountered various difficulties and challenges in the context of the abovementioned unfavourable factors. In order to mitigate the negative impact from the decrease in the contribution from the imported products trading business, the Group continued to proactively develop its trading business for domestic fresh produce and fast-moving consumer goods ("**FMCG**") products. The contribution from the trading business for domestic fresh produce increased by approximately 17.1% during the financial year, largely offsetting the decrease in the revenue from the imported products trading business. Additionally, the operation commencement of the food processing centre in Dongguan remarkably improved the efficiency and lowered the transportation costs of the trading business for the domestic agricultural products and greatly enhanced its gross profit margin. For the Upstream Farming Business, although its revenue grew by approximately 9.0% compared to the last financial year, primarily thanks to the improved production yield and selling prices, the Group was conservative on its development for the new arable lands and agri-tourism business, and prepared a profit and cash flow forecast based on lower sales growth, lower gross profit projection and higher discount rates in its valuation based on the income approach to compute its value-in-use. As a result, impairment losses on the relevant assets and investments of the Upstream Farming Business were recognised because its value-in-use is lower than the carrying amount of the relevant segment assets which resulted in a shortfall. On the other hand, although the revenue of the FMCG Trading Business dropped compared to the last financial year, primarily stemmed from the weak macroeconomic conditions and keen competition as mentioned above, the Group continued to refine its product portfolio and adopted stable post-pandemic pricing strategies to cope with the challenging environment. As a result, the gross profit margin of the FMCG Trading Business remained stable during FY2023/24 in spite of the challenging environment. The Group has also been exploring business opportunities to cooperate with a domestic comprehensive healthcare service and wellness products company in order to enrich product portfolio and leverage on its established sales channels and trading proficiency in the People's Republic of China (the "**PRC**").

During the financial year, the Group continued to carefully review its businesses and trim down unprofitable operations. As the Hong Kong capital market was still weak, the Group has been continuously trimming down its operations in the securities brokerage and margin financing business during the financial year in order to reduce various expenses and operation risks. The downsizing process will continue in near future until completely pulling out of this business unit.

The overall operating environment is still fraught with uncertainties, especially the lack of growth momentum after the pandemic and the ongoing global political and geographical conflicts. The Group will focus on its core business, in particular the Agri-Products Business which continuously showed resilience over past few difficult years. In order to enhance the Upstream Farming Business, the Group was actively seeking to procure new fertilizers directly from an overseas supplier, which could provide our farming base in Jiangxi with a reliable and diversified supply of high-quality fertilizers. On 24 May 2024, the Company issued 52,535,151 ordinary shares, on the basis of one rights share for every two shares held, to the shareholders of the Company at a subscription price of HK$0.35 per share through a right issue. The Group intends to allocate 80% of the net proceeds of approximately HK$17.4 million for developing the fertilizers trading business by promoting the abovementioned newly introduced fertilizers in the domestic market. Notwithstanding the above, 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.

FINANCIAL PERFORMANCE

During the financial year under review, the Group generated total revenue of approximately HK$442.0 million as compared to approximately HK$440.6 million for FY2022/23, representing a rise of approximately 0.3%. The slight increase in revenues was mainly attributable to the increase in the revenues of the domestic fresh produce trading business and the Upstream Farming Business, but substantially offset by the decrease in the revenues of the traditional trading business of the imported products, including our imported FMCG and agricultural products, which was primarily attributable to the weak market demand and keen competition. During the financial year under review, China's economy was still sluggish after a short-lived rebound following the ease of the pandemic restrictions. While some sectors such as domestic travel had experienced stable recovery since the pandemic, other sectors such as foreign trade and import industries remained very weak during FY2023/24. The Group's imported FMCG and agricultural products trading business also faced fierce competition from domestic brands, not only stemming from their price advantage partly due to the weak Renminbi, but also the shrinking gap in product quality and product variety between the imported products and the domestic brands together with their overwhelming advertisements. To cope with the challenging environment of the imported products trading business, the Group continued to develop its domestic products trading business and the Upstream Farming Business, including enhancing the food processing centre in Dongguan, sourcing new fertilizers and hiring specialists to improve the quality of our self-grown agricultural products, which has been gaining traction and the revenues of the domestic fresh produce trading business and the Upstream Farming Business recorded healthy and steady growth during FY2023/24. On the other hand, the revenue of the securities brokerage and margin financing business also declined primarily due to the weak capital market activities, as well as the Group's attempt to downsize its operations in this business segment during FY2023/24.

Gross profit margin increased from approximately 7.1% to approximately 8.3% compared to FY2022/23. The increase was mainly attributable to the better product mix and the higher operational efficiency arising from the food processing centre in Dongguan, which has effectively smoothed the operations by increasing the operation capacity and lower the sourcing costs, remarkably improving the Agri-Products Trading Business's gross profit margin. Although the market demand was weak and the competition was keen, the Group adopted stable pricing strategy and did not participate in price competition. Meanwhile, the Group strived to negotiate larger discounts from the suppliers by way of bulk purchase, which was particularly effective for the domestic fresh produce trading business when its scale getting larger during FY2023/24. Additionally, the Group continued to source more suitable and niche products for the PRC market to refine its product portfolio, which also improved the gross profit margin of the FMCG Trading Business during FY2023/24.

Changes in fair value due to biological transformation decreased from approximately HK$41.9 million to approximately HK$19.7 million. The decrease was mainly attributable to less depreciation as part of the farmland infrastructure has been fully depreciated during FY2023/24 as well as the decrease in plantation costs and other overheads.

Other gains and income increased to approximately HK$12.3 million compared to approximately HK$10.1 million in FY2022/23. 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$2.3 million, a fair value gain on the convertible bond issued by China Healthwise of approximately HK$5.9 million and other miscellaneous income of approximately HK$1.3 million and partly offset by a fair value loss on the investments in Global Mastermind Holdings Limited and First Bullion Holdings Inc. of approximately HK$1.2 million and approximately HK$0.3 million respectively.

Selling and distribution expenses increased by approximately 42.8% from approximately HK$30.5 million to approximately HK$43.6 million compared to FY2022/23, representing approximately 9.9% of total revenue (FY2022/23: 6.9%). The increase in the selling and distribution expenses as a percentage of turnover was mainly attributable to the increase in advertising and promotion activities, freight and transportation, logistics handling costs in distribution hubs, amortisation amount for distribution rights and depreciation amount for right-of-use assets recognised through selling and distribution expenses during the financial year under review. Selling and distribution expenses included, among others, promotion campaigns for the development of sales and marketing channels, outlays on brand building, marketing, freight and transportation, commission as well as sales force, logistics handling and distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 3.0% from approximately HK$64.3 million to approximately HK$62.4 million compared to FY2022/23. The decrease in administrative expenses was primarily attributable to the Group's various cost saving initiatives, the trimming down of some unprofitable operations such as the securities brokerage and margin financing business and savings in professional fees during FY2023/24.

Impairment losses on trade receivables and deposits and other receivables were approximately HK$6.3 million (FY2022/23: HK$2.8 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$27.2 million to approximately HK$0.5 million, which comprised of a written off of a money lender license of approximately HK$0.4 million and an exchange loss of approximately HK$0.1 million.

Impairment losses on non-financial assets of approximately HK$112.8 million (FY2022/23: Nil) represented impairment losses on the Upstream Farming Business segment assets, of which approximately HK$55.1 million for fixed assets, approximately HK$34.4 million for bearer plants, approximately HK$10.6 million for right-of-use assets, approximately HK$10.3 million for construction in progress and approximately HK$2.4 million for prepayments. During the financial year under review, the business environment of the Group remained challenging for the reasons that (i) the economic growth of the PRC continued to be dragged down by the real estate crisis and the weak market demand after the pandemic; (ii) the competition from domestic products remained fierce; (iii) inclement weather condition continued to pose a threat to the Upstream Farming Business of the Group; and (iv) the persistently high interest rate environment significantly increased funding costs and discouraged new investments. Given these unfavourable circumstances, the Group was conservative on the development of the Upstream Farming Business and has lowered its expectation for future business performance and prospects and the management has prepared a profit and cashflow forecast on a more conservative basis such as lower sales growth and lower gross profit projection as compared with the previous financial year's forecast. Furthermore, the Group also used a higher pre-tax discount rate of 10.45% (FY2022/23: 9.17%) to reflect the risks associated with the adverse factors inflicting on the Upstream Farming Business, resulting in a decline in future free cash flows and thus an impairment loss to its carrying amount compared with its value in use. The management has adopted the income approach consistently as in the previous financial year as the valuation method. The income approach is an appropriate method that can reflect the value of cash flow generated by the continuous operation of the assets, which is consistent with the requirements under HKAS 36 in determining the value-in-use of cash generating units.

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

Net loss for the year ended 30 June 2024 was approximately HK$196.4 million (FY2022/23: HK$125.6 million). The increase in the net loss was mainly attributable to a combination of approximately 42.8% increase in selling and distribution expenses, approximately HK$3.5 million and HK$112.8 million increase in impairment losses on trade receivables and deposits and other receivables and on non-financial assets respectively, but partly offset by approximately 0.3% increase in turnover, approximately 1.2% increase in gross profit margin, approximately HK$22.2 million decrease in changes in fair value due to biological transformation, approximately 3.0% decrease in administrative expenses and approximately HK$26.7 million decrease in other operating expenses.

BUSINESS REVIEW

FMCG Trading Business

The FMCG Trading Business sells packaged foods, beverages and household consumable products into the domestic Chinese market. These products are largely sourced overseas through the Group's wide-reaching global procurement network and are imported primarily from Australasia, Europe, the Americas and South East Asia. The FMCG Trading Business contributed approximately HK$266.5 million in revenues to the Group for FY2023/24, decreased by approximately 2.7% from that contributed in FY2022/23. The decrease in revenues was primarily attributable to the weak market demand and the fierce competition against domestic brands. During the financial year under review, China's economic growth was weak and unbalanced after the pandemic, some sectors like the foreign trade and import industries faced various severe challenges. The Group's FMCG Trading Business also faced various difficulties, especially the fierce competition from domestic brands, which continuously used low prices to grab a larger market share on top of their tremendous advertising activities amidst a sluggish economy. Against this backdrop, the Group continuously refined its product mix and sourced new products, not only from overseas suppliers, but also seeking cooperations with domestic manufacturers, to increase its competitiveness and profitability. For instance, the Group has been exploring business opportunities to cooperate with a domestic comprehensive healthcare service and wellness products company in order to enrich product portfolio and leverage on its established sales channels and trading proficiency in the PRC. In addition, although weak Renminbi put the imported products at a disadvantage, the Group managed to maintain stable gross profit margin by lowering purchase costs through bulk purchase and adopting stable pricing strategies during FY2023/24.

This business unit can be classified into three categories including packaged foods, beverages and household consumable products with their respective contribution of approximately 83%, 12% 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. During FY2023/24, the contribution percentage of packaged foods further increased compared to that of the last financial year, primarily due to the drop of the contribution from beverages. During the financial year under review, the Group closely followed the market trends and reallocated more resources from beverage products to packaged foods, in particular those licensed branded products with distribution rights. In view of the increasingly competitive environment of the beverage market in China, the Group trimmed down certain operation for beverage trading, hence the revenues contributed by beverages declined during FY2023/24.

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$172.5 million for the FY2023/24, increased by approximately 5.4% as compared to approximately HK$163.6 million generated in FY2022/23, primarily attributable to the increase in the revenue of the Agri-Products Trading Business for domestic fresh produce. The Upstream Farming Business also recorded a rise in revenue of approximately 9.0% compared to the last financial year.

Agri-Products Trading Business

Similar to the FMCG Trading Business, this business segment was also affected by the weak market demand and the keen competition from domestic products, especially the trading business for the imported agricultural products when considering the gap in product quality and product variety between domestic fresh produce and imported fresh produce has been shrinking over past few years. The purchase costs and supply chain instability arising from its short life cycle and perishable nature further increased the difficulties in running trading business for the imported agricultural products. Notwithstanding the above, the Group strived to return the imported agricultural products trading business to normal in the post-pandemic era by leveraging on the well-established distribution network and entrenched relationship with suppliers and customers. The Group's efforts have gradually paid off, the revenue of the imported agricultural products trading remained fairly stable and the gross profit margin had slight improvement compared to the last financial year.

In the meantime, the Group has been continuously developing its trading business for domestic fresh produce as a supplementary business to counteract the challenging operating environment for the imported agricultural products trading business. The revenue of the trading business for domestic agricultural products increased by 17.1% compared to the last financial year, and the percentage of its revenue over the total revenue of the Agri-Products Trading Business continuously grew stably over past few years. During the financial year under review, the Group continued to expand its procurement network for the domestic agricultural products, and managed to negotiate for lower purchase costs by virtue of larger scale of operation. Furthermore, the operation commencement of the food processing centre in Dongguan has substantially facilitated its development in domestic fresh product trading and lowered sourcing and transportation costs thanks to its convenient location, which greatly enhanced the production capacity and gross profit margin. Going forward, the Group will continue to enhance the efficiency of the centre to underpin the development of the trading business for domestic agricultural products.

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 9.0% compared to the last financial year. The increase was primarily attributable to the improved production yield. Although the market demand was still weak after the pandemic, the production yield has been steadily improving during FY2023/24. Additionally, the product quality and variety have also improved thanks to the better production yield, the Group's efforts on research and development to improve cultivation skills as well as the use of higher quality fertilizers. Therefore, the Group managed to increase the selling prices and sale volume with better product quality and develop new product types in spite of the sluggish economy. During FY2023/24, in order to enhance the Upstream Farming Business, the Group was actively seeking to procure new types of fertilizers through an overseas supplier and hired an expert to evaluate and conduct a thorough review to assure the Group's agricultural products could be benefitted from the new fertilizers. Furthermore, the Group intends to leverage the benefits of the abovementioned new fertilizers by promoting them in the domestic market, with hopes of generating a stable revenue stream in future.

To facilitate the development of the Upstream Farming Business, the Group has been establishing 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. The fruit processing centre commenced its operations to provide a wide range of functions including fruit washing, packing and storage, which effectively enhanced product quality assurance and brand building. During FY2023/24, the fruit processing centre primarily served the Upstream Farming Business with a trivial volume of third party business, which is expected to be gradually increasing in future. In the meantime, the Group commenced its negotiations with various travel agencies to explore the cooperation for the agri-tourism business following the reopening of China's economy.

Notwithstanding the above, the Group was conservative on its new development that required large capital commitment such as new arable land development and agri-tourism business in view of the sluggish macroeconomic environment and unpredictable inclement weather condition. The Group lowered its expectation for the future business performance of its arable farming lands and agri-tourism business and higher discount rates were also used in its valuation based on the income approach to compute the value-in-use, resulting in a decline in future free cash flows and thus impairment losses to its carrying amount compared with its value-in-use. As a result, impairment losses on certain assets and investments of the Upstream Farming Business of approximately HK$112.8 million were recognised during FY2023/24 because its value-in-use is lower than the carrying amount of the relevant segment assets which resulted in a shortfall.

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, decreased by approximately 7.7% 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, as well as the Group's strategy to gradually trim down its operations in this business unit. The downsizing process will continue in near future until completely pulling out of this business unit.

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.

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 FY2023/24, 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 FY2023/24, 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 2024, the Group held a convertible bond issued by China Healthwise (the "**Outstanding Bonds**").

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 2024, China Healthwise has redeemed in total HK$47.7 million of the bond. As at 30 June 2024, the outstanding principal amount was HK$72.3 million and the fair value of the Group's investment in the Outstanding Bonds was approximately HK$69.0 million (30 June 2023: HK$63.2 million), representing approximately 7.9% (30 June 2023: 5.9%) of the Group's total assets, and recorded a fair value gain on investment of approximately HK$5.9 million and an interest income of approximately HK$4.3 million during the financial year.

On 19 August 2024, the Group and China Healthwise entered into a subscription agreement (the "**Subscription Agreement**") for subscribing the bonds issued by China Healthwise in the aggregate principal amount of HK$72.3 million, of which HK$16.8 million is the principal amount of the convertible bonds and HK$55.5 million is the principal amount of the straight bonds. Completion of the Subscription Agreement is conditional upon the fulfilment of the conditions precedent. The convertible bonds shall bear interest at a rate of 6% per annum, the conversion price at which the bonds is to be converted into conversion share shall be HK$0.088 per conversion share. Based on the conversion price of HK$0.088 per conversion share, a maximum of 190,909,090 new shares may be allotted and issued by China Healthwise, which represents approximately 19.86% of the issued share capital as enlarged by the issue and allotment of the new shares. The straight bonds shall bear interest at a rate of 8% per annum. The maturity dates of the convertible bonds and the straight bonds shall be two years from their issue dates. The consideration for the subscription of the convertible bonds and the straight bonds under the Subscription Agreement will be set off against the outstanding principal amount of HK$72.3 million under the Outstanding Bonds. An extraordinary general meeting (the "**EGM**") will be convened to approve the Subscription Agreement and the transactions contemplated thereunder. However, as additional time is required to prepare and finalise certain information to be included in the circular containing, among other things, further details of the Subscription Agreement and the transactions contemplated thereunder, it is expected that the despatch date of the circular will not be later than 9 October 2024. The Company will make further announcement in due course when the date of the EGM is determined.

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 healthy financial position throughout the year under review. The Group financed its operations and business development with internally generated resources, equity funding and banking facilities.

On 28 December 2023, the share consolidation of every twenty issued and unissued shares of HK$0.10 each into one consolidated share of HK$2.00 each became effective pursuant to an ordinary resolution passed by shareholders at the extraordinary general meeting of the Company.

On 6 March 2024, the Capital Reorganisation (comprising the Capital Reduction and the Share Sub-Division), which have the same meanings as those defined in the circular of the Company dated 6 December 2023 (the "**circular**"), became effective. The par value of each of issued consolidated shares was reduced from HK$2.00 each to HK$0.01 by cancelling the paid-up capital of the Company to the extent of HK$1.99 on each of the issued consolidated shares. Immediately upon the Capital Reduction becoming effective, every unissued consolidated share of HK$2.00 each in the authorised share capital of the Company was sub-divided into 200 new shares of HK$0.01 each. The credit arising from the Capital Reduction was transferred to a distributable reserve account of the Company which may be utilised by the Company as the directors may deem fit and permitted in accordance with the memorandum and articles of association and all applicable laws, including, without limitation, eliminating or setting off any accumulated losses from time to time.

On 24 May 2024, the Company issued 52,535,151 ordinary shares, on the basis of one rights share for every two shares held, to the shareholders of the Company at a subscription price of HK$0.35 per share through a rights issue. The total net proceeds was approximately HK$17.4 million, of which approximately HK$13.9 million would be used to develop the fertilizers trading business and approximately HK$3.5 million would be used as general working capital of the Group.

Subsequent to FY2023/24 on 12 August 2024, the Company issued 21,000,000 placing shares to independent placees at the placing price of HK$0.233 per share. The net proceeds of the placing was approximately of HK$4.6 million, which would be used as general working capital of the Group.

At 30 June 2024, the Group had floating interest-bearing borrowings of approximately HK$0.1 million (30 June 2023: HK$10.5 million) of which all borrowings were denominated in Hong Kong dollars and all would mature within one year. All of the Group's bank facilities at 30 June 2024 were 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$3.5 million (30 June 2023: HK$0.1 million) and pledged bank deposits of certain subsidiaries in carrying amount of approximately HK$2.0 million (30 June 2023: HK$12.2 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 2024, the Group did not have any significant hedging instrument outstanding.

At 30 June 2024, the Group's current assets amounted to approximately HK$514.4 million (30 June 2023: HK$591.8 million) and the Group's current liabilities amounted to approximately HK$65.8 million (30 June 2023: HK$85.4 million). The Group's current ratio maintained at a level of approximately 7.8 at 30 June 2024 (30 June 2023: 6.9). At 30 June 2024, the Group had total assets of approximately HK$869.6 million (30 June 2023: HK$1,073.5 million) and total liabilities of approximately HK$82.7 million (30 June 2023: HK$103.4 million) with a gearing ratio of approximately 0.02% (30 June 2023: 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 2024 and 2023.

USE OF PROCEEDS FROM RIGHTS ISSUE 2017

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

Set out below are the details of the use of the net proceeds of approximately HK$207.3 million from the Rights Issue 2017.

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 2023	**Utilised during the year ended 30 June 2024**	**Utilised as at 30 June 2024**	**Remaining proceeds as at 30 June 2024**	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	–	**–**	**17.0**	**–**	by 31 October 2022
(v) Set up of new processing agri-product centre in Dongguan	34.0	–	**–**	**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	6.0	1.5	**1.5**	**6.0**	**–**	by 30 June 2024
(viii) Promotion and marketing activities	10.0	4.7	**1.9**	**7.2**	**2.8**	by 30 June 2024
(ix) Set up of an agri-tourism park with various facilities in Jiangxi	27.0	9.1	**9.1**	**27.0**	**–**	by 30 June 2024
(x) Working capital and general corporate purposes	3.3	–	**–**	**3.3**	**–**	by 30 June 2022
Total	207.3	15.3	**12.5**	**204.5**	**2.8**	

CHANGE OF USE OF PROCEEDS FROM RIGHTS ISSUE 2017

As indicated in the table above, the total remaining proceeds of approximately HK$2.8 million as at 30 June 2024 was originally intended to be used by 30 June 2024 for promotion and marketing activities to uplift the Group's business in China (details of which were disclosed in the announcement of the Company dated 10 March 2021). The delay in use of the remaining proceeds of approximately HK$2.8 million was mainly due to the economic growth of the PRC continued to be dragged down by the real estate crisis and the weak market demand after the pandemic, and the Company was conservative on the development of its business in the PRC and hence will cut down on the promotion and marketing activities of the Group. In addition, in view of the sluggish consumer market and uncertain economic outlook in the PRC, on 27 September 2024, the Board has resolved to change the use of the remaining proceeds of approximately HK$2.8 million from promotion and marketing activities to the Group's general working capital to allow more flexibility and resourcefulness in running its business and is expected to be fully utilised on or before 30 June 2025. The Board considers the aforesaid change of use of the remaining proceeds and timeline of the Rights Issue 2017 will enhance the efficiency of the utilisation of funds and improve the liquidity of the Group and is beneficial to and in the interests of the Company and the shareholders of the Company as a whole.

USE OF PROCEEDS FROM RIGHTS ISSUE 2024

On 24 May 2024, the Company raised from a rights issue the net proceeds of approximately HK$17.4 million (the "**Rights Issue 2024**").

Set out below are the details of the use of the net proceeds of approximately HK$17.4 million from the Rights Issue 2024.

Approximate HK$ million	Planned use of proceeds as disclosed in the prospectus of the Company dated 30 April 2024	**Utilised during the year ended 30 June 2024**	**Utilised as at 30 June 2024**	**Remaining proceeds as at 30 June 2024**	Expected timeline for the intended use
(i) Development of the fertilizers trading business under the Agri-Products Business	13.9	**0.4**	**0.4**	**13.5**	by 30 September 2025
(ii) General working capital of the Group	3.5	**–**	**–**	**3.5**	by 30 June 2025
Total	17.4	**0.4**	**0.4**	**17.0**	

NUMBER AND REMUNERATION OF EMPLOYEES

At 30 June 2024, the Group had 259 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 2024, 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 2024, 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 2024 (30 June 2023: Nil). The number of options available for grant under the share option scheme mandate at 1 July 2023, 30 June 2024 and the date of this announcement was 9,363,480, which represented approximately 5.2% of the issued shares of the Company at the date of this announcement.

DEVELOPMENT AND PROSPECTS

During FY2023/24, the global economic outlook continued to be gloomy despite the diminishing impact from the pandemic. The persistently high interest rates, the deepening real estate crisis in China, geographical tensions, political uncertainties such as the presidential election in the United States and the increasing competition from domestic brands continuously worsen the overall operating environment and cast a gloomy outlook over the Group's businesses.

Against this backdrop, the Group will focus on its core businesses, including the FMCG Trading Business and the Agri-Products Trading Business. The Group will continue to reinforce and expand procurement network and source more suitable and niche products from both international and domestic suppliers. Additionally, the Group will continue to enhance the processing centre in Dongguan, which is an important hub for the domestic fresh produce trading business. 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 bargain better pricing from suppliers through bulk purchase. Meanwhile, the Group will also adopt more stringent credit policies to mitigate bad debt-related risks.

For the Upstream Farming Business, although its performance has been improving over past few years thanks to its improving agricultural operations and distribution channels, the weak market demand, the inclement weather and rising cultivation costs continue to pose a threat to the operations. Therefore, the Group will carefully develop the new developments of this business unit based on the market demand and the financial viability to minimise all kinds of expenditure and capital commitment. In the meantime, the Group will enhance our agricultural skills by engaging different farming experts, reinforcing research and development and using more high quality fertilizers. Additionally, the Group will attempt to tap into the fertilizer trading business in the PRC with an aim to generate stable income stream.

In view of the uncertain global outlook, the Group will focus on its core businesses and adopt a more conservative stance on future business developments. The Group will continue to implement cost-saving initiatives to reduce operating costs and closely review each business unit for its development plan. The Group will exert every effort to 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 2024 (2023: Nil).

CORPORATE GOVERNANCE

The Company has applied the principles of the Corporate Governance Code (the "**CG Code**") as set out in Part 2 of Appendix C1 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 2024, except with deviation from code provision C.2.1.

Under the code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separated and should not be performed by the same individual. Since March 2012, the Board has appointed Mr. Lam Kwok Hing ("**Mr. Lam**") as Chief Executive Officer in view of Mr. Lam's in-depth experience in the industry and the Group's overall operations. As a result of the appointment, the roles of Chairman and Chief Executive Officer are performed by Mr. Lam. Mr. Lam is the co-founder of the Group and has over 30 years' experience in the consumer products industry. In the context of the challenging business environment, the Board believes that a consistent leadership, effective and efficient planning and implementation of business decisions and strategies are of utmost importance. While all major decisions of the Group were made in consultation with and under due consideration and approval by the Board, the Board believes that by virtue of Mr. Lam's in-depth experience and understanding of the Group, vesting the roles of Chairman and Chief Executive Officer on Mr. Lam can generate benefits for the Group and shareholders as a whole and at the same time the balance of power and authority between the Board and the management of the Group is effectively maintained.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 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 2024.

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

With effect from 15 December 2023, Mr. Hung Hing Man has resigned as the 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 August 2024, Mr. Hung Hing Man has also resigned as the independent non-executive director of China Information Technology Development Limited (stock code: 8178), a company listed on the GEM of the Stock Exchange.

With effect from 1 July 2023, the emolument of Mr. Chan Cheuk Yu Stephen ("**Mr. Chan**") has been revised from HK$130,000 to HK$40,000 per month and with effect from 13 July 2023, the emolument of Mr. Mok Tsan San ("**Mr. Mok**") has been revised from HK$1,200,000 per annum to HK$60,000 per annum ("**Revisions of Emoluments**"). The Revisions of Emoluments were decided by the Board (without involvements of Mr. Chan and Mr. Mok in deciding their own emoluments) having regard to the individual performance, duties and responsibilities with the Company and the prevailing market conditions, and were both covered by relevant service contracts.

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

Throughout the financial year ended 30 June 2024, 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 2024 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 2023/24 annual report of the Company will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 September 2024

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