INTERIM REPORT 2019/20

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)

The board (the "Board") of directors (the "Directors") of Heng Tai Consumables Group Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 31 December 2019 (the "Period") together with the comparative figures for the corresponding period as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2019

	Note	Six months ended 31 December 2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
REVENUE	4	**344,866**	455,024
Cost of sales		**(318,355)**	(413,657)
GROSS PROFIT		**26,511**	41,367
Changes in fair value due to biological transformation		**(9,389)**	(8,956)
Other gains and income		**16,899**	7,356
Selling and distribution expenses		**(31,554)**	(33,091)
Administrative expenses		**(44,235)**	(46,349)
Other operating expenses		**(4,696)**	(8,378)
LOSS FROM OPERATIONS		**(46,464)**	(48,051)
Finance costs	6	**(288)**	(21)
Share of gain of a joint venture		**–**	681
LOSS BEFORE TAX		**(46,752)**	(47,391)
Income tax credit	7	**776**	289
LOSS FOR THE PERIOD	8	**(45,976)**	(47,102)
Attributable to:			
Owners of the Company		**(45,973)**	(47,089)
Non-controlling interests		**(3)**	(13)
		(45,976)	(47,102)
LOSS PER SHARE	10		
– Basic		**HK(2.45 cents)**	HK(2.51 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the Period	**(45,976)**	(47,102)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**(13,770)**	(31,297)
Fair value changes on financial assets at fair value through other comprehensive income ("FVTOCI")	**–**	(49)
Revaluation reserve of FVTOCI reclassified to profit or loss upon disposal	**–**	312
Other comprehensive income for the Period, net of tax	**(13,770)**	(31,034)
Total comprehensive income for the Period	**(59,746)**	(78,136)
Attributable to:		
Owners of the Company	**(59,743)**	(78,123)
Non-controlling interests	**(3)**	(13)
	(59,746)	(78,136)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**31 December 2019 (Unaudited) HK$'000**	30 June 2019 (Audited) HK$'000
ASSETS			
Non-current assets			
Fixed assets		**343,356**	364,948
Right-of-use assets		**98,942**	–
Prepaid land lease payments	11	**–**	90,345
Construction in progress		**31,472**	32,939
Bearer plants		**103,621**	101,984
Goodwill		**19,083**	19,083
Other intangible assets		**72,006**	66,259
Other assets		**1,234**	3,215
Investment in a joint venture		**–**	–
Investment in a club membership		**108**	108
Investments	12	**–**	191,486
Deferred tax assets		**4,338**	3,480
		674,160	873,847
Current assets			
Biological assets		**28,475**	27,443
Inventories		**141,814**	144,591
Trade receivables	13	**292,140**	317,238
Prepayments, deposits and other receivables		**132,349**	141,713
Investments	12	**205,065**	7,456
Pledged bank deposits		**220**	–
Client trust bank balances		**6,561**	6,306
Bank and cash balances		**432,472**	463,242
		1,239,096	1,107,989
TOTAL ASSETS		**1,913,256**	1,981,836

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 31 December 2019

	Note	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	15	**187,270**	187,270
Reserves		**1,604,979**	1,664,722
		1,792,249	1,851,992
Non-controlling interests		**(15,880)**	(15,877)
Total equity		**1,776,369**	1,836,115
Non-current liabilities			
Lease liabilities		**3,995**	–
Deferred tax liabilities		**9,538**	9,808
		13,533	9,808
Current liabilities			
Trade payables	14	**82,445**	83,855
Accruals and other payables		**18,780**	31,149
Borrowings		**20,220**	20,169
Lease liabilities		**1,098**	–
Current tax liabilities		**811**	740
		123,354	135,913
Total liabilities		**136,887**	145,721
TOTAL EQUITY AND LIABILITIES		**1,913,256**	1,981,836
Net current assets		**1,115,742**	972,076
Total assets less current liabilities		**1,789,902**	1,845,923

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Unaudited											
	Attributable to owners of the Company											
	Share capital HK$'000	Share premium account HK$'000	Legal reserve HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Investment Revaluation reserve HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2018	187,270	2,389,536	97	113,950	11,612	9,278	(445)	(86,094)	(461,784)	2,163,420	(15,865)	2,147,555
Adjustments on initial application of HKFRS 9	–	–	–	–	–	–	–	–	(4,924)	(4,924)	–	(4,924)
Restated balance at 1 July 2018	187,270	2,389,536	97	113,950	11,612	9,278	(445)	(86,094)	(466,708)	2,158,496	(15,865)	2,142,631
Total comprehensive income for the period	–	–	–	(31,297)	–	–	263	–	(47,089)	(78,123)	(13)	(78,136)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,015)	(1,015)
Change in equity for the period	–	–	–	(31,297)	–	–	263	–	(47,089)	(78,123)	(1,028)	(79,151)
At 31 December 2018	187,270	2,389,536	97	82,653	11,612	9,278	(182)	(86,094)	(513,797)	2,080,373	(16,893)	2,063,480

	Unaudited											
	Attributable to owners of the Company											
	Share capital HK$'000	Share premium account HK$'000	Legal reserve HK$'000	Foreign currency translation reserve HK$'000	Share-based payment reserve HK$'000	Property revaluation reserve HK$'000	Investment Revaluation reserve HK$'000	Special reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 July 2019	**187,270**	**2,389,536**	**97**	**90,126**	**11,612**	**11,234**	**-**	**(86,094)**	**(751,789)**	**1,851,992**	**(15,877)**	**1,836,115**
Total comprehensive income for the Period	**-**	**-**	**-**	**(13,770)**	**-**	**-**	**-**	**-**	**(45,973)**	**(59,743)**	**(3)**	**(59,746)**
Transfer of reserve upon lapse of share options	**-**	**-**	**-**	**-**	**(132)**	**-**	**-**	**-**	**132**	**-**	**-**	**-**
Change in equity for the Period	**-**	**-**	**-**	**(13,770)**	**(132)**	**-**	**-**	**-**	**(45,841)**	**(59,743)**	**(3)**	**(59,746)**
At 31 December 2019	**187,270**	**2,389,536**	**97**	**76,356**	**11,480**	**11,234**	**-**	**(86,094)**	**(797,630)**	**1,792,249**	**(15,880)**	**1,776,369**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Operating activities		
Operating (loss)/profit before working capital changes	**(10,047)**	6,705
Decrease in working capital	**7,825**	6,044
Cash (used in)/generated from operations	**(2,222)**	12,749
Income tax paid	**–**	(812)
Interest on borrowings paid	**(173)**	(21)
Net cash (used in)/generated from operating activities	**(2,395)**	11,916
Investing activities		
Proceeds from disposal of financial assets at FVTOCI	**–**	29,064
Purchase of financial assets at fair value through profit or loss ("FVTPL")	**–**	(200,000)
Purchase of financial assets at FVTOCI	**–**	(7,750)
Purchase of fixed assets	**(6,168)**	–
Purchase of other intangible assets	**(18,330)**	–
Payments of right-of-use assets	**(10,088)**	–
Decrease in time deposits with original maturity over three months	**11,761**	66,237
Other cash flows arising from investing activities	**16,226**	326
Net cash used in investing activities	**(6,599)**	(112,123)
Financing activities		
Repayment of bank borrowings	**(19,949)**	(11,000)
Drawdown of bank borrowings	**20,000**	10,000
Other cash flows arising from financing activities	**(622)**	4
Net cash used in financing activities	**(571)**	(996)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net decrease in cash and cash equivalents	**(9,565)**	(101,203)
Cash and cash equivalents at 1 July	**449,665**	672,732
Effect of foreign exchanges rate changes	**(9,444)**	(22,031)
Cash and cash equivalents at 31 December	**430,656**	549,498
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances in the condensed consolidated statement of financial position	**432,472**	589,699
Less: Time deposits with original maturity over three months	**(1,816)**	(40,201)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**430,656**	549,498

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited financial statements for the year ended 30 June 2019. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial statements and segment information are consistent with those used in the audited financial statements and segment information for the year ended 30 June 2019.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2019. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and the prior years, except for HKFRS 16 Leases ("HKFRS 16").

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors therefore continue to classify leases as operating or finance leases.

The Group applies the simplified transition approach and does not restate comparative amounts for the period prior to first adoption. The change of standard affects primarily the accounting for the Group's operating leases as a lessee. Under HKAS 17, the Group's operating leases and the lease payments (net of any incentives received from the lessor) were recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group recognises and measures a liability at the present value of the future minimum lease payments and recognises a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset is recognised in profit or loss. The Group's assets and liabilities increase and the timing of expense recognition is impacted as a result.

(a) Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contact are subsequently changed.

(b) As a lessee

As a lessee, the Group's leases mainly include office premises, storage premises and farmland, which were previously classified as operating leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under HKFRS 16, the Group recognises right-of-use assets and lease liabilities for most leases. The Group has elected not to recognise right-of-use assets and lease liabilities for some low-value leases. The Group recognises the lease payments associated with these low-value leases as an expense on a straight-line basis over the lease term.

The Group recognises a right-of-use assets and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Transition

At transition, for leases classified as operating leases under HKAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying HKFRS 16 to leases previously classified as operating leases under HKAS 17.

– Applied the exemption not to recognise right-of-use assets and liabilities for leases with terms ending within 12 months.

– Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

– Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

(c) As a lessor

The accounting policies applicable to the Group as a lessor are not different from those under HKAS 17. The Group is not required to make any adjustments on transition to HKFRS 16 for leases in which it acts as a lessor.

(d) *Impacts of financial statements*

Impact on transition

On transition to HKFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The change in accounting policy affected the following items on the condensed consolidated statement of financial position (increase/(decrease)) as at 1 July 2019 is summarised below.

	1 July 2019
	HK$'000
Assets	
Right-of-use assets	96,056
Prepaid land lease payments	(90,345)
	5,711
Liabilities	
Lease liabilities	5,711

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised HK$98,942,000 of right-of-use assets and HK$5,093,000 of lease liabilities as at 31 December 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and finance costs, instead of operating lease expense. During the six months ended 31 December 2019, the Group recognised HK$4,255,000 of depreciation charges and HK$115,000 of interest on lease liabilities from these leases.

3. FINANCIAL INSTRUMENTS

Fair value measurements

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

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

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

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

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

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

Disclosures of level in fair value hierarchy at the end of the reporting period:

Description	**Fair value measurements using: Level 1 HK$'000**	**Level 2 HK$'000**	**Level 3 HK$'000**	**Total 31 December 2019 (Unaudited) HK$'000**
Recurring fair value measurements:				
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	**7,907**	**–**	**–**	**7,907**
– Unlisted debt investments in Hong Kong	**–**	**–**	**197,158**	**197,158**
Buildings				
Commercial and industrial				
– the PRC	**–**	**–**	**90,620**	**90,620**
Total recurring fair value measurements	**7,907**	**–**	**287,778**	**295,685**

Description	Fair value measurements using: Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total 30 June 2019 (Audited) HK$'000
Recurring fair value measurements:				
Financial assets at FVTPL				
– Listed equity securities in Hong Kong	7,456	–	–	7,456
– Unlisted debt investments in Hong Kong	–	–	191,486	191,486
Buildings				
Commercial and industrial				
– the PRC	–	–	95,682	95,682
Total recurring fair value measurements	7,456	–	287,168	294,624

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

4. REVENUE

Disaggregation of revenue

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	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	**190,803**	264,514
– Sales of agri-products	**143,850**	180,314
– Logistics services income	**6,913**	8,718
– Sales of jewellery products in tourist retailing	**2,157**	–
– Commission and brokerage income on securities dealings	**1,143**	1,429
– Others	**–**	49
	344,866	455,024

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

	For the six months ended 31 December 2019						
	Consumer goods HK$'000	Agri-products HK$'000	Logistics services HK$'000	Tourist retailing HK$'000	Securities dealing services HK$'000	Others HK$'000	Total HK$'000
Primary geographical markets							
Hong Kong	–	28,366	–	2,157	1,143	–	31,666
PRC except Hong Kong	190,803	115,484	6,913	–	–	–	313,200
Revenue from external customers	190,803	143,850	6,913	2,157	1,143	–	344,866
Timing of revenue recognition							
Products transferred at a point in time	190,803	143,850	6,913	2,157	1,143	–	344,866
Products and services transferred over time	–	–	–	–	–	–	–
Total	190,803	143,850	6,913	2,157	1,143	–	344,866

	For the six months ended 31 December 2018						
	Consumer goods HK$'000	Agri-products HK$'000	Logistics services HK$'000	Tourist retailing HK$'000	Securities dealing services HK$'000	Others HK$'000	Total HK$'000
Primary geographical markets							
Hong Kong	–	30,425	–	–	1,429	–	31,854
PRC except Hong Kong	264,514	149,889	8,718	–	–	49	423,170
Revenue from external customers	264,514	180,314	8,718	–	1,429	49	455,024
Timing of revenue recognition							
Products transferred at a point in time	264,514	180,314	8,718	–	1,429	–	454,975
Products and services transferred over time	–	–	–	–	–	49	49
Total	264,514	180,314	8,718	–	1,429	49	455,024

5. SEGMENT INFORMATION

The Group has three reporting segments as follows:

(i) The sale and trading of FMCG including packaged foods, beverages, household consumable products and cold chain products ("FMCG Trading Business");

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

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

The Group's other operating segments include the provision of securities dealing services, tourist retailing of jewellery products and sub-licensing of trademarks. 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 Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e., at current market prices.

The segment information of the Group was as follows:–

	FMCG Trading Business (Unaudited) HK$'000	Agri-Products Business (Unaudited) HK$'000	Logistics Services Business (Unaudited) HK$'000	All other segments (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 31 December 2019					
Revenue from external customers	190,803	143,850	6,913	3,300	344,866
Segment loss	(8,930)	(27,456)	(2,091)	(6,711)	(45,188)
At 31 December 2019					
Segment assets	722,084	672,421	160,731	47,458	1,602,694

	FMCG Trading Business (Unaudited) HK$'000	Agri-Products Business (Unaudited) HK$'000	Logistics Services Business (Unaudited) HK$'000	All other segments (Unaudited) HK$'000	Total (Unaudited) HK$'000
For the six months ended 31 December 2018					
Revenue from external customers	264,514	180,314	8,718	1,478	455,024
Segment profit/(loss)	1,890	(31,070)	663	(2,844)	(31,361)
At 30 June 2019					
Segment assets (Audited)	727,481	732,011	170,730	52,586	1,682,808

	Six months ended 31 December **2019** **(Unaudited)** **HK$'000**	2018 (Unaudited) HK$'000
Reconciliation of segment loss:		
Total loss of reportable segments	**(45,188)**	(31,361)
Unallocated amounts:		
Share of gain of a joint venture	**–**	681
Gain on disposal of financial assets at FVTOCI	**–**	59
Fair value gain/(loss) on financial assets at FVTPL	**6,122**	(1,047)
Other corporate expenses	**(6,910)**	(15,434)
Consolidated loss for the Period	**(45,976)**	(47,102)

6. FINANCE COSTS

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on borrowings	**173**	21
Interest on lease liabilities	**115**	–
	288	21

7. INCOME TAX CREDIT

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current period tax:		
Hong Kong	**(71)**	(149)
Overseas	**–**	–
Deferred tax	**847**	438
	776	289

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Period (2018: 16.5%).

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

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

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

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

8. LOSS FOR THE PERIOD

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

	Six months ended 31 December	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation and depreciation, net of amount capitalised	**39,876**	43,123
Cost of inventories sold	**299,645**	387,036
Directors' emoluments	**3,780**	4,160
Exchange loss, net	**2,130**	3,399
Fair value (gain)/loss on financial assets at FVTPL	**(6,122)**	1,047
Gain on disposal of financial assets at FVTOCI	**–**	(59)
Operating lease charges in respect of land and buildings, net of amount capitalised	**5,394**	12,865
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**11,734**	13,070
Retirement benefits scheme contributions	**384**	375
	12,118	13,445

9. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2019 (2018: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the Period attributable to owners of the Company of approximately HK$45,973,000 (2018: HK$47,089,000) and the weighted average number of ordinary shares of the Company of 1,872,696,182 (2018: 1,872,696,182) in issue during the Period.

11. PREPAID LAND LEASE PAYMENTS

	HK$'000
At 30 June 2019 (audited)	90,345
Reclassification to right-of-use assets upon adoption of HKFRS 16 – Leases	(90,345)
At 1 July 2019 and 31 December 2019 (unaudited)	–

12. INVESTMENTS

	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
Non-current assets		
Financial assets at FVTPL		
– Unlisted debt investments in Hong Kong	**–**	191,486
Current assets		
Financial assets at FVTPL		
– Listed equity securities in Hong Kong	**7,907**	7,456
– Unlisted debt investments in Hong Kong	**197,158**	–
	205,065	7,456

The fair values of the listed equity securities are based on quoted closing price at the end of reporting period. The fair values of the unlisted debt investments was reference to the valuation performed by a firm of independent professional qualified valuers. The carrying amounts of the above financial assets at FVTPL are measured at fair value through profit or loss in accordance with HKFRS 9.

13. TRADE RECEIVABLES

	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
Trade receivables arising from		
Trading	**297,771**	324,298
Dealing in securities		
– Cash clients	**10,006**	10,493
– Clearing house	**1,916**	–
	309,693	334,791
Impairment loss on trade receivables	**(17,553)**	(17,553)
	292,140	317,238

For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 180 days (30 June 2019: 30 to 180 days). Full provision is made for outstanding debts aged over 365 days or collectability is in significant doubt.

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:

	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
1 – 30 days	**63,413**	55,390
31 – 60 days	**60,557**	43,790
61 – 90 days	**51,161**	47,475
Over 90 days	**109,363**	164,366
	284,494	311,021

Cash client receivables arising from dealing in securities which are neither past due nor impaired of approximately HK$171,000 (30 June 2019: HK$3,626,000) represent unsettled client trades on various securities exchanges transacted on the last two business days prior to the end of the reporting period. Such cash client receivable is considered as past due when the client fails to settle its securities trading balances on the settlement date. At 31 December 2019, cash client receivables net of impairment loss of approximately HK$5,603,000 (30 June 2019: HK$5,786,000) were past due. These past due cash client receivables were substantially settled after the period ended date, hence no impairment loss was recognised during the period (30 June 2019: HK$3,151,000). No aging analysis is disclosed as, in the opinion of the directors, an aging analysis does not give additional value in view of the nature of these trade receivables arising from dealing in securities.

14. TRADE PAYABLES

	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
Trade payables arising from		
Trading	**75,550**	76,805
Dealing in securities		
– Cash clients	**6,895**	6,857
– Clearing house	**–**	193
	82,445	83,855

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 period. 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:

	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
1 – 30 days	**57,614**	60,362
31 – 60 days	**17,849**	16,356
61 – 90 days	**–**	–
Over 90 days	**87**	87
	75,550	76,805

Trade payables to cash clients arising from dealing in securities also include those payables where the corresponding clients' monies are placed in trust and segregated accounts with authorised financial institutions of approximately HK$6,561,000 (30 June 2019: HK$6,306,000).

15. SHARE CAPITAL

	Number of shares (Unaudited)	**Amount (Unaudited)** HK$'000
Authorised:		
At 30 June 2019, 1 July 2019 and 31 December 2019, par value HK$0.10 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 30 June 2019, 1 July 2019 and 31 December 2019	1,872,696,182	187,270

16. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2019 (30 June 2019: Nil).

17. CAPITAL COMMITMENTS

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

	31 December 2019 (Unaudited) HK$'000	30 June 2019 (Audited) HK$'000
Contracted but not provided for		
– Fixed assets	**1,529**	6,818
– Construction in progress	**16,994**	17,574
– Seedling plantation	**–**	1,705
	18,523	26,097

18. EVENTS AFTER REPORTING PERIOD

The outbreak of novel coronavirus ("COVID-19") continues to spread throughout the PRC and to countries across the world.

The Government of the PRC has already implemented various emergency public health measures and various actions to combat COVID-19, including but not limited to imposing restriction on the work resumption date after the statutory holidays of the Chinese New Year and lockdown policies in certain cities prohibiting the movement of goods and people between provinces and/or within provinces and cities. If COVID-19 and its adverse effects continue to drag on, our Group's business operations in the PRC, in particular, our FMCG Trading Business, Agri-Products Business and Logistics Services Business may be severely affected.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group.

Up to the date of this report, given the unpredictability of future development of the virus and market sentiment, the related impacts on our Group's consolidated results of operations, cash flows and financial position could not be reasonably estimated at this stage. It is expected that those related impacts will be reflected in the Group's 2019/20 annual financial statements.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2019 (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS
FINANCIAL PERFORMANCE

During the six months ended 31 December 2019 (the "Period"), the Group was 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 business and the tourist retailing business (the "Other Business"). The first three businesses came together to form two vertically integrated supply chains allowing the Group to effectively deliver perishable and non-perishable consumer products in China.

During the Period, the Group's turnover was approximately HK$344.9 million, representing a decrease of approximately 24.2%, compared to approximately HK$455.0 million in the same period last year. The decline in turnover was mainly attributable to the decrease in the revenue from the FMCG Trading Business, the Agri-Product Business and the Logistics Services Business due to weak market demand and keen competition, partly offset by the increase in the revenue from the Other Business stemmed from the contribution from the Group's tourist retailing business, which had not been acquired in the same period last year. The US-China trade tensions persistently affected the overall Chinese retail sales growth, which has been lingering between 7-8%, the slowest pace for decades and showing no signs of recovery during the Period. The keen competition from domestic brands and fresh produce as well as the anti-extravagance atmosphere also posed a threat to the Group's businesses. Therefore, the Group reduced selling prices for most of products in order to remain competitiveness amid such a weak macro environment. Additionally, the Group terminated its operation in cold chain products trading business to reduce various expenses such as its high maintenance costs and administrative costs, which also led to the decline in turnover.

Gross profit margin decreased from approximately 9.1% to approximately 7.7% compared with the same period last year. The decrease in gross profit margin was mainly attributable to the lower selling prices and the Renminbi depreciation during the Period. As aforesaid, the weak market demand and keen competition forced the Group to adopt more aggressive pricing strategies by reducing selling prices across different kinds of products to maintain its competitiveness. On the other hand, the weakening Renminbi increased import costs and further suppressed the gross profit margin. Furthermore, the cessation of the cold chain products trading business which normally provided an above-average gross profit also attributed to the decrease in gross profit margin.

Changes in fair value due to biological transformation remained fairly stable at approximately HK$9.4 million compared to approximately HK$9.0 million for the previous corresponding period.

Other gains and income increased from approximately HK$7.4 million to approximately HK$16.9 million. The other gains and income for the Period was mainly attributable to the interest income of approximately HK$6.9 million derived from the investment in convertible bonds issued by China Healthwise Holdings Limited ("China Healthwise") and Global Mastermind Holdings Limited ("Global Mastermind") and their unrealized fair value gain on investment of approximately HK$5.7 million.

Selling and distribution expenses decreased by approximately 4.6% from approximately HK$33.1 million to approximately HK$31.6 million. These expenses represented approximately 9.1% of turnover which increased compared to approximately 7.3% of the same period last year. The increase in the selling and distribution expenses as a percentage of turnover was mainly attributable to the increase in sales commission and handling and distribution expenses for the traditional trading business. Selling and distribution expenses included, among others, the development of sales and marketing channels, outlays on brand building, freight and transportation, commission as well as distribution expenses all together spent in support of the Group's sales activities.

Administrative expenses decreased by approximately 4.6% from approximately HK$46.3 million to approximately HK$44.2 million. The decrease was mainly attributable to the various cost-saving initiatives taken by the Group, despite the inflationary pressure on various expenses such as rental and salaries in the Greater China region and the expenses related to the newly acquired tourist retailing business.

Other operating expenses primarily represented exchange losses of approximately HK$2.1 million on certain assets denominated in Renminbi due to Renminbi depreciation and impairment loss of approximately HK$2.6 million for infrastructure.

Finance costs increased mildly to approximately HK$0.3 million for the Period. The increase in finance costs was mainly attributable to the increase in interest on lease liabilities upon adoption of HKFRS 16 – Leases and increased average level of bank borrowings during the Period.

The decrease in the Group's net loss can be summarized as mainly attributable to approximately HK$9.5 million increase in other gains and income, approximately 4.6% decrease in selling and distribution expenses, approximately 4.6% decrease in administrative expenses, and approximately HK$3.7 million decrease in other operating expenses, but partly offset by approximately 24.2% decrease in turnover and approximately 1.4% decrease in gross profit margin.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The operating environment substantially worsened during the Period. On the global front, the global economic slowdown and trade tensions between China and the United States severely weakened consumer confidence and resulted in weak market demand. In August 2019, Renminbi fell past the important psychological level of 7 against US dollar for the first time since 2008. The depreciation of Renminbi and increase in sales discount also put downward pressure on the gross profit margin. The fierce competition from domestic brands and products remained a major threat to the Group's traditional trading business, especially considering their price advantage and overwhelming advertisement. The Group needed to adopt more aggressive pricing strategies to maintain its competitiveness during the Period.

On the domestic front, the outbreak of the large-scale protests in Hong Kong in June 2019 severely impacted Hong Kong tourism industry during the Period, especially those serving mainland Chinese tourists. As the major customers of the tourist retailing business through acquiring 100% interest in Lucky Billion Trading Limited ("Lucky Billion"), which is principally engaged in tourist retailing in jewellery with a flagship shop in Tsim Sha Tsui East, and a joint venture namely Waygood Investment Development Limited ("Waygood") which operates a department store in Hong Kong, were from mainland China, the performance of the tourist retailing business was much lower than expectation.

The FMCG Trading Business sells finished consumer products into the domestic Chinese consumer market. These products are largely sourced overseas through the Group's widereaching global procurement network and are imported from different regions around the world including Europe, the Americas, Australasia and South East Asia. This business unit can be classified into three categories including packaged foods, beverages and household consumable products with their respective contribution of approximately 75%, 19%, 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. During the Period, the Group entirely terminated its trading in cold chain products trading business in the light of its high maintenance costs and increasingly complicated customs formalities. The Group continuously re-shifted its focus on the packaged foods and beverage products and expanded its product portfolio to offset the decrease in the revenue from cold chain products.

FMCG Trading Business remained as the most important business unit and contributed approximately 55% of the Group's total revenues during the Period. Although the trade tensions and Renminbi depreciation posed great challenges, the Group continued to focus on its trading business in packaged foods and beverage products by expanding its product portfolio and extending reach to other previously untapped regions. However, the difficult business environment severely impacted the overall retail market in China, many domestic brands launched various promotions and increased their advertising spending with the aim of gaining market share from imported products and their counter-parts. In the context of the above, the Group adopted more attractive and aggressive offers to our customers for different kinds of products in order to increase its competitiveness against domestic brands, which inevitably affected its gross profit margins. Because of the coronavirus outbreak that originated in China's Wuhan and its rapid and severe inflection numbers, the China's government implemented unprecedented containment measures and many economic activities have halted, the Group expected that the aggressive pricing strategies would remain for a longer period of time until the economy returns to normal. Meanwhile, the Group would endeavor to strengthen the long term relationship with suppliers and customers and negotiate better discounts from suppliers.

The Agri-Products Business contains trading fresh produce imported from countries like Australasia and South East Asia as well as upstream cultivations in China. During the Period, the revenue of this business unit declined by approximately 20% primarily attributable to the slowdown in Chinese economy, persistent anti-extravagance environment and unpredictable weather conditions in some countries of origin of the Group's imported fruits. Additionally, the rise of global protectionism and the more stringent customs formalities for fresh produce also increased the import costs. Therefore, the Group continued to expand trading business for domestic fresh produce as a supplementary business. Similar to the FMCG Trading Business, the Group reduced selling prices for most of agri-products, in spite of the increasing imported costs as a result of weakening Renminbi and stringent customs formalities.

The revenue of the upstream farming business derived from the farming base for various fruits such as early crop oranges and ponkans in Jiangxi declined by approximately 18%. Inclement weather, rising labour costs, weak market demand and declining selling price continued to threaten the upstream farming business operations, the Group is cautiously optimistic on the prospect of this business unit and will carefully operate and monitor its future development. On the other hand, the Group has been proactively executing the agri-tourism business plan in order to broaden revenue stream and diversify operational risks. The development will include a food processing center surrounded by recreational facilities such as pick-your-own farm, exhibition hall and restaurant. The construction work has begun but the progress will be probably retarded by the coronavirus outbreak.

The Logistics Services Business provides a full range of services to customers including warehousing, food processing production lines for fresh produce, as well as trucking fleets for nationwide and regional distribution. This business unit contributed approximately 2% of overall revenues for the Period, which was fairly stable compared to the same period in last year. This business unit is highly correlated to the performance of the Group's traditional trading business, thus its revenues fell in tandem with the drop of the revenue of the trading business during the Period.

The Other Business contains providing securities trading and IPO subscription brokerage services through Sino Wealth Securities Limited ("Sino Wealth") and operating tourist retailing business through Lucky Billion. The securities brokerage business was affected by the weak global financial markets and market sentiment caused by the trade tensions and Hong Kong social unrest during the Period. The brokerage commission income dropped by approximately 20% compared to the same period last year. As the outlook remained gloomy for the securities brokerage business in near term, the use of the unused proceeds of the right issue completed on 11 January 2017 that had been originally intended to inject into the securities brokerage business was changed to finance a possible acquisition of a target company running retailing and catering businesses in Hong Kong. Since the possible acquisition was subsequently not materialized in view of the social unrest in Hong Kong, the unused proceeds, shall continue its original intended use and be further extended to 10 March 2020.

During the Period, the persistent large-scale protests in Hong Kong severely affected the Group's tourist retailing business because the number of mainland Chinese tourists dropped significantly. Worse still, the coronavirus outbreak subsequent to the Period further exacerbated the situation and has hit retail and tourism industry hardest. The Group will carefully review this business unit and implement austerity measures to cope with the toughest time.

Looking forward, the coronavirus outbreak is the greatest uncertainty for the global economy, if the outbreak is a long-lasting one, there will be substantial consequences for China and global economy. On top of that, there are many other uncertainties such as the rise on protectionism, the risk of stagflation and the outcome of Brexit and trade disputes among different nations. 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.

SIGNIFICANT INVESTMENTS HELD AND THEIR PERFORMANCE

In October and November 2018, the Group utilised its available cash to subscribe two convertible bonds issued by China Healthwise and Global Mastermind for HK$120.0 million and HK$80.0 million respectively and held the two convertible bonds throughout the Period.

China Healthwise is an investment holding company and principally engaged in investment in financial instruments. Its subsidiaries are principally engaged in sale of toys, consumer electronic products, Chinese health products, money lending business and investment in financial instruments. At 31 December 2019, the fair value of the Group's investment in its convertible bond was approximately HK$113.6 million (30 June 2019: HK$109.8 million), representing approximately 5.9% (30 June 2019: 5.5%) of the total assets, and recorded an unrealised fair value gain on investment of approximately HK$3.8 million and an interest income of approximately HK$3.6 million during the Period.

Global Mastermind is an investment holding company. Its subsidiaries are principally engaged in provision and operation of travel business, treasury management business, money lending business and provision of securities, futures and asset management services. At 31 December 2019, the fair value of the Group's investment in its convertible bond was approximately HK$83.6 million (30 June 2019: HK$81.7 million), representing approximately 4.4% (30 June 2019: 4.1%) of the total assets, and recorded an unrealised fair value gain on investment of approximately HK$1.9 million and an interest income of approximately HK$3.3 million during the Period.

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

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a strong financial position throughout the Period. During the Period, the Group financed its operations and business development with internally generated resources and banking facilities.

On 11 January 2017, the Company raised from a rights issue the net proceeds of approximately HK$207.3 million, which were intended to inject into the securities brokerage business. Out of the net proceeds, HK$20 million has been used as intended as at the date of this report. In view of the abruptly deteriorating market conditions, the Group had proposed to change the use of the remaining proceeds to finance a possible acquisition of a target company running retailing and catering businesses in Hong Kong. The acquisition was subsequently not materialized in view of the social unrest in Hong Kong, the unused proceeds of HK$187.3 million, shall continue its original intended use and be further extended to 10 March 2020.

At 31 December 2019, the Group had interest-bearing borrowings of approximately HK$20.2 million (30 June 2019: HK$20.2 million) of which all borrowings were denominated in Hong Kong dollars or Euro and all would mature within one year. All of the Group's banking borrowings were floating-interest bearing and secured by corporate guarantees provided by the Company and certain subsidiaries of the Company and a charge over cash of a subsidiary in carrying amount of approximately HK$0.2 million (30 June 2019: Nil).

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. During the Period, the Group experienced a high volatility in Renminbi, and the Group will closely monitor the foreign currency exposure and may consider arranging for hedging facilities when it is necessary. At 31 December 2019, the Group did not have any significant hedging instrument outstanding.

At 31 December 2019, the Group's current assets amounted to approximately HK$1,239.1 million (30 June 2019: HK$1,108.0 million) and the Group's current liabilities amounted to approximately HK$123.4 million (30 June 2019: HK$135.9 million). The Group's current ratio maintained to a level of approximately 10.0 as at 31 December 2019 (30 June 2019: 8.2). At 31 December 2019, the Group had total assets of approximately HK$1,913.3 million (30 June 2019: HK$1,981.8 million) and total liabilities of approximately HK$136.9 million (30 June 2019: HK$145.7 million) with a gearing ratio of approximately 1.1% (30 June 2019: 1.0%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained fairly low level as at 31 December 2019 and 30 June 2019.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2019, the Group had approximately 420 employees for its operations in China, Hong Kong and Macau. The Group's employees are remunerated in accordance with their work performance and experience. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined Mandatory Provident Fund Scheme for its staff in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme.

OTHER INFORMATION

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), were as follows:

Long Positions

Director	Note	**Capacity/nature of interests**	**Number of shares in interest**	**Approximate percentage of the issued shares**
Mr. Lam Kwok Hing ("Mr. Lam")	1	Interest in controlled corporation	275,078,914	14.69%
Ms. Lee Choi Lin, Joecy ("Ms. Lee")	1	Family interest	275,078,914	14.69%
Mr. Chan Cheuk Yu, Stephen ("Mr. Chan")	2	Interest in controlled corporation	436,755,073	23.32%
Ms. Gao Qin Jian	3	Beneficial owner	3,120,000	0.17%
Ms. Mak Yun Chu	3	Beneficial owner	2,080,000	0.11%
Mr. Poon Yiu Cheung, Newman	3	Beneficial owner	1,560,000	0.08%

Notes:

1. 275,078,914 shares are held by Best Global Asia Limited ("Best Global"), a company incorporated in the British Virgin Islands (the "BVI") wholly and beneficially owned by Mr. Lam. Ms. Lee is the spouse of Mr. Lam, by virtue of the SFO, Ms. Lee is deemed to be interested in said 275,078,914 shares.

2. 436,755,073 shares are held by Glazy Target Limited ("Glazy Target"), a company incorporated in the BVI wholly and beneficially owned by Mr. Chan.

3. These shares in interest are share options granted by the Company to the respective Directors. Further details of the share options are set out in section titled "Share Option Scheme" of this report.

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executive of the Company and their respective associates had any interests or short positions in shares, underlying shares or debentures of the Company, its subsidiaries or any associated corporation (within the meaning of Part XV of the SFO).

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section titled "Directors' Interests in Securities", at no time during the Period were there rights to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or where there such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouses or children under 18 years of age to acquire such rights in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests of every person, other than a Director or chief executive of the Company, in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO and to the best knowledge of the Directors were as follows:

Long Positions

Substantial shareholder	Note	Capacity/nature of interests	Number of shares in interest	Approximate percentage of the issued shares
Best Global	1	Beneficial owner	275,078,914	14.69%
Glazy Target	2	Beneficial owner	436,755,073	23.32%

Notes:

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

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

Save as disclosed above, as at 31 December 2019, no person, other than a Director and chief executive of the Company whose interests are set out in the section titled "Directors' Interests in Securities" above, had any interest or short position in the shares or underlying shares of the Company that was recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The following share options were outstanding under the share option scheme adopted by the Company during the Period:

Name or category of participants	Number of share options At 1 July 2019	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2019	Date of grant of share options	Exercise period of share options	Exercise prices of share options HK$
Executive director								
Ms. Gao Qin Jian	3,120,000	–	–	–	3,120,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Independent non-executive directors								
Mr. Poon Yiu Cheung, Newman	1,560,000	–	–	–	1,560,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Ms. Mak Yun Chu	2,080,000	–	–	–	2,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Employees (in aggregate)	11,128,000	–	–	(520,000)	10,608,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Other eligible participants (in aggregate)	28,080,000	–	–	–	28,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
	45,968,000	–	–	(520,000)	45,448,000			

At 31 December 2019, the Company had 45,448,000 (31 December 2018: 45,968,000) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 45,448,000 (31 December 2018: 45,968,000) additional ordinary shares and additional share capital of approximately HK$4,545,000 (31 December 2018: HK$4,597,000) and share premium of approximately HK$35,404,000 (31 December 2018: HK$35,809,000) (before share issue expenses). Save as disclosed above, no share options were granted, exercised, cancelled, or lapsed during the period under review.

DISCLOSURE OF INFORMATION ON DIRECTORS

During the Period under review, there is no change in information of the Directors since the date of the 2018/19 annual report of the Company which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

Neither the Company, nor any of its subsidiaries, purchased, sold or redeemed any of the Company's listed securities during the six months ended 31 December 2019.

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 of Hong Kong Limited and complied with all the applicable code provisions of the CG Code throughout the six months ended 31 December 2019, except with deviation from code provision A.2.1.

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code 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 six months ended 31 December 2019.

REVIEW OF INTERIM REPORT

The interim report for the six months ended 31 December 2019 has been reviewed by the Audit Committee of the Company, but not audited by the Company's external auditors.

On behalf of the Board
Lam Kwok Hing
Chairman

Hong Kong, 28 February 2020

As at the date of this report, 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.