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)

Interim Report 2017/2018

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 2017 (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 2017

	Note	Six months ended 31 December 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
TURNOVER	3	**495,817**	675,290
Cost of sales		**(452,833)**	(597,923)
GROSS PROFIT		**42,984**	77,367
Changes in fair value due to biological transformation		**(9,488)**	(11,275)
Other gains and income		**4,822**	3,020
Selling and distribution expenses		**(36,307)**	(41,917)
Administrative expenses		**(49,088)**	(48,627)
Other operating expenses		**–**	(12,784)
LOSS FROM OPERATIONS		**(47,077)**	(34,216)
Finance costs	5	**(19)**	(191)
Share of loss of a joint venture		**(2,499)**	(6,884)
Loss on disposal of a subsidiary		**(272)**	–
LOSS BEFORE TAX		**(49,867)**	(41,291)
Income tax credit/(expense)	6	**602**	(521)
LOSS FOR THE PERIOD	7	**(49,265)**	(41,812)
Attributable to:			
Owners of the Company		**(48,799)**	(40,501)
Non-controlling interests		**(466)**	(1,311)
		(49,265)	(41,812)
LOSS PER SHARE	9		
– Basic		**HK(2.70 cents)**	HK(4.33 cents)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Six months ended 31 December 2017 (Unaudited) HK$'000	Six months ended 31 December 2016 (Unaudited) HK$'000
Loss for the Period	**(49,265)**	(41,812)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**12,420**	(39,099)
Fair value change on available-for-sale financial assets	**(210)**	2,161
Revaluation reserve of available-for-sale financial assets reclassified to profit or loss upon disposal	**–**	(80)
Other comprehensive income for the Period, net of tax	**12,210**	(37,018)
Total comprehensive income for the Period	**(37,055)**	(78,830)
Attributable to:		
Owners of the Company	**(36,589)**	(77,519)
Non-controlling interests	**(466)**	(1,311)
	(37,055)	(78,830)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	**31 December 2017 (Unaudited) HK$'000**	30 June 2017 (Audited) HK$'000
ASSETS			
Non-current assets			
Fixed assets		**376,614**	400,922
Prepaid land lease payments		**89,893**	94,679
Construction in progress		**13,271**	13,271
Bearer plants		**97,031**	95,401
Goodwill		**40,727**	165,388
Other intangible assets		**98,653**	156,339
Other assets		**54,525**	43,842
Investment in a joint venture		**13,850**	16,349
Investment in a club membership		**108**	108
Investments		**13,422**	21,345
Deferred tax assets		**1,445**	1,268
		799,539	1,008,912
Current assets			
Biological assets		**20,082**	20,419
Inventories		**151,765**	158,490
Trade receivables	10	**391,265**	393,050
Prepayments, deposits and other receivables		**170,758**	186,514
Investments		**21,573**	12,978
Client trust bank balances		**7,155**	7,333
Bank and cash balances		**835,368**	833,890
		1,597,966	1,612,674
TOTAL ASSETS		**2,397,505**	2,621,586

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2017

	Note	31 December 2017 (Unaudited) HK$'000	30 June 2017 (Audited) HK$'000
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	12	**185,470**	180,070
Reserves		**2,062,124**	2,088,453
		2,247,594	2,268,523
Non-controlling interests		**(13,223)**	(12,757)
Total equity		**2,234,371**	2,255,766
Non-current liabilities			
Finance lease payables		**7**	16
Deferred tax liabilities		**8,155**	15,148
		8,162	15,164
Current liabilities			
Trade payables	11	**115,997**	115,382
Consideration payable		**–**	152,000
Accruals and other payables		**25,877**	46,962
Borrowings		**11,250**	33,326
Finance lease payables		**17**	17
Current tax liabilities		**1,831**	2,969
		154,972	350,656
Total liabilities		**163,134**	365,820
TOTAL EQUITY AND LIABILITIES		**2,397,505**	2,621,586
Net current assets		**1,442,994**	1,262,018
Total assets less current liabilities		**2,242,533**	2,270,930

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	Unaudited											
	Attributable to owners of the Company											
	Share capital	Share premium account	Legal reserve	Foreign currency translation reserve	Share-based payment reserve	Property revaluation reserve	Investment revaluation reserve	Special reserve	Retained profits/ (Accumulated losses)	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2016	90,035	2,251,063	97	162,062	16,659	7,386	105	(86,094)	67,956	2,509,269	(1,434)	2,507,835
Total comprehensive income for the period	–	–	–	(39,099)	–	–	2,081	–	(40,501)	(77,519)	(1,311)	(78,830)
At 31 December 2016	90,035	2,251,063	97	122,963	16,659	7,386	2,186	(86,094)	27,455	2,431,750	(2,745)	2,429,005
At 1 July 2017	**180,070**	**2,368,210**	**97**	**87,422**	**22,258**	**7,394**	**475**	**(86,094)**	**(311,309)**	**2,268,523**	**(12,757)**	**2,255,766**
Total comprehensive income for the period	**-**	**-**	**-**	**12,420**	**-**	**-**	**(210)**	**-**	**(48,799)**	**(36,589)**	**(466)**	**(37,055)**
Share issued under share option scheme	**5,400**	**15,995**	**-**	**-**	**(5,735)**	**-**	**-**	**-**	**-**	**15,660**	**-**	**15,660**
Transfer of reserve upon lapse of share options	**-**	**-**	**-**	**-**	**(52)**	**-**	**-**	**-**	**52**	**-**	**-**	**-**
Change in equity for the period	**5,400**	**15,995**	**-**	**12,420**	**(5,787)**	**-**	**(210)**	**-**	**(48,747)**	**(20,929)**	**(466)**	**(21,395)**
At 31 December 2017	**185,470**	**2,384,205**	**97**	**99,842**	**16,471**	**7,394**	**265**	**(86,094)**	**(360,056)**	**2,247,594**	**(13,223)**	**2,234,371**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Operating activities		
Operating profit before working capital changes	**16,397**	38,348
(Increase)/Decrease in working capital	**(11,571)**	32,951
Cash generated from operations	**4,826**	71,299
Interest and finance lease charge paid	**(19)**	(191)
Net cash generated from operating activities	**4,807**	71,108
Investing activities		
Decrease in consideration payable	**(152,000)**	–
Proceeds from disposal of a subsidiary	**149,990**	–
Proceeds from disposal of available-for-sale financial assets	**7,021**	280
Purchase of available-for-sale financial assets	**(7,793)**	(6,349)
Other cash flows arising from investing activities	**(3,038)**	4,214
Net cash used in investing activities	**(5,820)**	(1,855)
Financing activities		
Repayment of bank borrowings	**(33,326)**	(61,342)
Drawdown of bank borrowings	**11,250**	42,133
Proceeds from issue of shares upon exercise of share options	**15,660**	–
Other cash flows arising from financing activities	**(9)**	(8)
Net cash used in financing activities	**(6,425)**	(19,217)
Net (decrease)/increase in cash and cash equivalents	**(7,438)**	50,036
Cash and cash equivalents at 1 July	**833,890**	430,558
Effect of foreign exchanges rates changes	**8,916**	(11,692)
Cash and cash equivalents at 31 December	**835,368**	468,902

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 2017. 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 2017.

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 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards 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.

The Group did not apply the new HKFRSs that have been issued but are not yet effective. The Group commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3. TURNOVER

The Group's turnover which mainly represents sales of fast moving consumer goods ("FMCG"), agri-products and revenue from logistics services was as follows:

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Sales of consumer goods	**268,380**	352,432
Sales of agri-products	**207,797**	302,544
Logistics services income	**10,504**	20,314
Other revenue	**9,136**	–
	495,817	675,290

4. 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 and organisation of concert scaled live show presentation. 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 2017					
Revenue from external customers	**268,380**	**207,797**	**10,504**	**9,136**	**495,817**
Segment profit/(loss)	**4,583**	**(29,014)**	**1,730**	**(14,063)**	**(36,764)**
At 31 December 2017					
Segment assets	**982,159**	**779,307**	**226,978**	**250,735**	**2,239,179**

	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 2016					
Revenue from external customers	352,432	302,544	20,314	–	675,290
Segment profit/(loss)	6,894	(24,571)	662	–	(17,015)
At 30 June 2017					
Segment assets (Audited)	972,502	872,932	228,335	243,678	2,317,447

	Six months ended 31 December 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Reconciliation of segment loss:		
Total loss of reportable segments	**(36,764)**	(17,015)
Unallocated amounts:		
Loss on disposal of a subsidiary	**(272)**	–
Share of loss of a joint venture	**(2,499)**	(6,884)
Gain on disposal of available-for-sale financial assets	**–**	80
Exchange loss on depreciation of Renminbi, net	**–**	(9,252)
Other corporate expenses	**(9,730)**	(8,741)
Consolidated loss for the Period	**(49,265)**	(41,812)

5. FINANCE COSTS

	Six months ended 31 December 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Interest on borrowings	**18**	189
Finance lease charges	**1**	2
	19	191

6. INCOME TAX CREDIT/(EXPENSE)

	Six months ended 31 December 2017 (Unaudited) HK$'000	Six months ended 31 December 2016 (Unaudited) HK$'000
Current period tax:		
Hong Kong	**(427)**	(322)
Overseas	**–**	(199)
Deferred tax	**1,029**	–
	602	(521)

Hong Kong Profits Tax has been provided at a rate of 16.5% on the estimated assessable profit for the Period (2016: 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% (2016: 25%), based on existing legislation, interpretation and practices in respect thereof.

7. LOSS FOR THE PERIOD

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

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Amortisation and depreciation, net of amount capitalised	**48,333**	40,333
Cost of inventories sold	**413,257**	571,415
Directors' emoluments	**4,100**	3,108
Exchange (gain)/loss, net	**(547)**	9,252
Fair value loss on fixed assets	**–**	3,532
Gain on disposal of available-for-sale financial assets	**–**	(80)
Operating lease charges in respect of land and buildings, net of amount capitalised	**13,268**	20,505
Staff costs (excluding directors' emoluments)		
Staff salaries, bonus and allowances	**12,263**	12,128
Retirement benefits scheme contributions	**352**	338
	12,615	12,466

8. DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2017 (2016: Nil).

9. 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$48,799,000 (2016: approximately HK$40,501,000) and the weighted average number of ordinary shares of the Company of 1,808,228,790 (2016: 936,362,014) in issue during the Period.

No diluted loss per share is presented as the Company did not have any potentially dilutive ordinary shares for both six months ended 31 December 2017 and 31 December 2016.

10. TRADE RECEIVABLES

	31 December 2017 (Unaudited) HK$'000	30 June 2017 (Audited) HK$'000
Trade receivables arising from		
Trading	**369,516**	369,780
Dealing in securities		
– Cash clients	**20,062**	23,688
– Clearing house	**1,687**	–
	391,265	393,468
Allowance for doubtful debts arising from trading	**–**	(418)
	391,265	393,050

For trade receivables arising from trading, the Group normally allows credit terms to established customers ranging from 30 to 150 days (30 June 2017: 30 to 150 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 allowance for bad and doubtful debts, based on the date of recognition of the sale, is as follows:

	31 December 2017 (Unaudited) HK$'000	30 June 2017 (Audited) HK$'000
1 – 30 days	**92,164**	87,716
31 – 60 days	**80,626**	73,432
61 – 90 days	**62,525**	76,122
Over 90 days	**134,201**	132,092
	369,516	369,362

Cash client receivables arising from dealing in securities and trade receivable arising from clearing house which are neither past due nor impaired of approximately HK$3,526,000 (30 June 2017: HK$7,455,000) 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 receivables are considered as past due when the clients fail to settle their securities trading balances on the settlement date. At 31 December 2017, cash client receivables of approximately HK$18,223,000 (30 June 2017: HK$14,348,000) were past due but not impaired. These past due cash client receivables were substantially settled after the period ended date. 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.

11. TRADE PAYABLES

	31 December 2017 (Unaudited) HK$'000	30 June 2017 (Audited) HK$'000
Trade payables arising from		
Trading	**93,978**	99,022
Dealing in securities		
– Cash clients	**22,019**	11,498
– Clearing house	**–**	4,862
	115,997	115,382

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 payable 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 2017 (Unaudited) HK$'000	30 June 2017 (Audited) HK$'000
1 – 30 days	**92,668**	75,831
31 – 60 days	**1,182**	23,062
61 – 90 days	**–**	3
Over 90 days	**128**	126
	93,978	99,022

Trade payables to cash clients arising from dealing in securities also include those payables where the corresponding clients' monies are placed in trust and segregated accounts with authorised financial institutions of approximately HK$7,155,000 (30 June 2017: HK$7,333,000).

12. SHARE CAPITAL

	Number of shares (Unaudited)	Amount (Unaudited) HK$'000
Authorised:		
At 30 June 2017, 1 July 2017 and 31 December 2017, par value HK$0.10 each	10,000,000,000	1,000,000
Issued and fully paid:		
At 30 June 2017 and 1 July 2017	1,800,696,182	180,070
Shares issued on exercise of share options (Note)	54,000,000	5,400
31 December 2017	1,854,696,182	185,470

Note:

During the six months ended 31 December 2017, the Company issued 54,000,000 new shares at a subscription price of HK$0.29 per share for a total cash consideration of HK$15,660,000.

13. DISPOSAL OF A SUBSIDIARY

On 11 December 2017, the Group disposed 100% of the issued share capital of Fiorfie Development Limited ("Fiorfie Development") at a consideration of HK$150,000,000 and waived the total amount of approximately HK$184,271,000 owed by Fiorfie Development and Moon Concept Limited ("Disposal Group") to the Group.

Net liabilities of the Disposal Group at the date of disposal were as follows:

	HK$'000
Fixed assets	5,386
Goodwill	124,661
Other intangible assets	38,180
Inventories	1,074
Trade receivables	5,907
Prepayments, deposits and other receivables	2,178
Bank and cash balances	10
Deferred tax liabilities	(6,300)
Accruals and other payables	(20,824)
Total amount owed by Disposal Group to the Group	(184,271)
Net liabilities disposed of	(33,999)
Waive of the total amount owed by Disposal Group to the Group	184,271
Loss on disposal of a subsidiary	(272)
Total consideration satisfied by cash	150,000
Net cash inflow arising on disposal:	
Cash consideration received	150,000
Cash and cash equivalents disposed of	(10)
	149,990

14. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at 31 December 2017 (30 June 2017: Nil).

15. CAPITAL COMMITMENTS

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

	31 December 2017 (Unaudited) HK$'000	30 June 2017 (Audited) HK$'000
Contracted but not provided for		
– Fixed assets	**7,145**	9,687
– Construction in progress	**8,847**	12,920
– Seedling plantation	**–**	1,724
	15,992	24,331

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the six months ended 31 December 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

During the six months ended 31 December 2017 (the "Period"), the Group was principally engaged in (i) the trading of packaged foods, beverages, household consumable products and cold chain 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 include securities brokerage business and intellectual property 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$495.8 million, representing a decrease of approximately 26.6%, compared to approximately HK$675.3 million in the same period last year. The decline in turnover was mainly attributable to the decrease in the revenue from the agri-product trading business, the FMCG Trading Business and the Logistics Services Business, partly offset by the contributions from the Other Business. During the Period, the overall Chinese retail market remained sluggish as evidenced by the fact that the retail sales growth persistently lingered around 10%, the lowest level over past decade. On the other hand, the rising competition from domestic brands further worsened the Group's sales performance. Additionally, during the Period, the Group strived to make the transfer of the existing customers and business to the newly leased processing and storage plant in Zhongshan and the Huidong logistics centre subsequent to the disposal of the Zhongshan logistics centre right before the Period. The transitional works were carefully implemented but the overall revenues, in particular those from the agri-product trading business, were affected by various transitional and streamlining changes. Furthermore, in view of intense competition, the Group ceased trading of cosmetics products and substantially trimmed down cold chain products trading during the Period in order to save considerable amount of selling and distribution expenses. As a result, the revenue from the FMCG Trading Business also decreased.

Gross profit margin decreased from approximately 11.5% to approximately 8.7% compared with the same period last year. The decrease was mainly attributable to the negative impact from the first live shows of "Ultraman" held in Macau in August 2017, which was severely impacted by Typhoon Hato and recorded a gross loss and the rising costs of imported products, particularly imported fruits, and the discontinuation of cosmetics trading which normally provided an above-average gross profit margin. For the core trading of packaged foods, the gross profit margin has indeed improved thanks to the Group's efforts to continuously refine product-mix and pursue better discounts from suppliers through negotiations and other means like bulk purchases, as well as increase selling prices for some products.

Selling and distribution expenses decreased by approximately 13.4% from approximately HK$41.9 million to approximately HK$36.3 million. These expenses represented approximately 7.3% of turnover compared to approximately 6.2% recorded during the same period last year. The increase in the selling and distribution expenses as a percentage of turnover was mainly attributable to the expenses of approximately HK$3.2 million incurred for the first live shows of “Ultraman”. The percentage would be fairly stable compared to the same period last year if such expenses relating to “Ultraman” live shows are excluded. Selling and distribution expenses included promotion campaigns for Ultraman live shows, the development of sales and marketing channels, outlays on brand building, as well as distribution expenses all together spent in support of the Group’s sales activities.

Administrative expenses increased by approximately 1.0% from approximately HK$48.6 million to approximately HK$49.1 million. The increase was mainly attributable to the expenses of approximately HK$9.2 million incurred for those new businesses of the securities brokerage and the “Ultraman” intellectual property business which were acquired in 2017. If such expenses are disregarded, the administrative expenses would be evidently lower than that of the same period last year thanks to Group’s various cost saving initiatives and the diminishing negative impact from the upstream farming business, which had a relatively high portion of fixed administrative costs and many agri-related overheads such as rentals, day-to-day running, staff costs and depreciation expenses that had been saved due to the large downsizing of its operations.

There were no other operating expenses during the Period, compared to an exchange loss of approximately HK$9.3 million and a fair value loss on buildings of approximately HK$3.5 million recorded during the same period last year.

Other gains and income increased from approximately HK$3.0 million to approximately HK$4.8 million. The increase was mainly attributable to an exchange gain of approximately HK$1.0 million on certain assets denominated in Renminbi owing to the appreciation of Renminbi and increase of interest income of approximately HK$0.8 million during the Period.

Finance costs were kept at a minimal level during the Period.

During the Period under review, the Group recorded share of results of a joint venture of approximately HK$2.5 million, which represented the share of net loss of Waygood Investment Development Limited (“Waygood”) under equity accounting treatment as compared to share of net loss of approximately HK$6.9 million for the preceding corresponding period. Waygood indirectly owns and operates a department store named Tycoon City which is located in Tsim Sha Tsui East. The decrease in share of net loss was mainly attributable to the recovery of Hong Kong retail market and a better connection with tourist industry by introducing a new strategic investor. Further, there was a loss on disposal of a subsidiary, which held Moon Concept Limited (“Moon Concept”), of approximately HK$0.3 million during the Period. Moon Concept owned the licensed rights to exploit all series and any types of “Ultraman” in organizing concert scaled live show presentation.

The increase in the Group's net loss can be summarized as mainly attributable to approximately 26.6% decrease in turnover, and approximately 24.3% decrease in gross profit margin, but partly offset by approximately 13.4% decrease in selling and distribution expenses, approximately HK$12.8 million decrease in other operating expenses, approximately HK$4.4 million decrease in share of net loss of a joint venture, approximately HK$1.8 million decrease in fair value loss of biological assets and approximately HK$1.8 million increase in other gains and income.

BUSINESS REVIEW, DEVELOPMENT AND PROSPECT

The operating environment remained challenging during the Period. On the external front, although China's macro economy has been stabilising, the retail sales growth was weaker than the same period last year and lingered around 10% throughout the Period. Worse still, the Group's imported products have been facing fierce competition from domestic brands, especially when considering their overwhelming advertisements and promotions. The Group needed to source products more selectively and adopted niche marketing strategy to enhance our competitiveness. On the internal front, the Group has been undergoing extensive business transformation and restructuring process during the Period, which inevitably incurred some financial pains.

The FMCG Trading Business sells finished consumer products into the domestic Chinese consumer market. These products are largely sourced overseas through the Group's wide-reaching 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 four categories including packaged foods, beverages, household consumable products and cold chain products with their respective contribution of approximately 76%, 12%, 7% 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. The Group ceased its trading in cosmetics products in last financial year with an aim of reducing selling and distribution expenses in the context of an extremely competitive market in China. The Group has been also gradually trimming cold chain products trading business in order to reduce various expenses considering its high maintenance costs and rising competition. As a result, the revenue of the FMCG Trading Business has decreased compared to the same period last year.

Although the Group ceased or downsized trading businesses of some categories, the FMCG Trading Business remained as the most important business unit and contributed more than 50% of the Group's total revenues during the Period. The Group continued to focus on its trading business in packaged foods, and pursued an improving and sustainable gross profit margin by refining product-mix, increasing stickiness of target customers and seeking best discounts from suppliers through bulk-purchase. Although domestic brands increased their market share by increasing advertising and promotion spending, the Group did not engage in price wars but focus on niche marketing to attract target customers and increase brand awareness and stickiness of our imported products. As a result, although the revenue of the packaged foods trading decreased during the Period, its gross profit remained stable with improving profit margins compared to the preceding corresponding period. Going forward, the Group will continue to adopt a sustainable business model to develop the FMCG Trading Business and strengthen the long term relationship with suppliers and customers.

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 31.3% primarily attributable to the decline in the revenue contribution from agri-products trading business. The competition for imported fresh produce market remained fierce due to rising import costs and weak demand stemming from anti-extravagance atmosphere. Additionally, the unexpectedly unstable and inclement weather in some countries of origin of the Group's imported fruits also affected the stability of product supply. As a result, the Group has been expanding trading business for domestic fresh produce as a supplementary business and both sales contribution and gross profit margin recorded an encouraging growth. The transitional works for the transfer of operations from the Zhongshan logistics centre to the new processing and storage plants have been taking more time and effort than expected, which also unfavourably affected the agri-products trading business during the Period, but the impact is expected to decrease gradually.

The farming base for various fruits such as early crop oranges and ponkans in Jiangxi contributed stable revenues as compared to the same period last year. The Group has established stable distribution channels and agricultural operations for the upstream farming business, and will continue to improve product quality and tap into new market for the Group's self-grown products. Save for unpredictable inclement weather, the Group is optimistic on the prospect of our Jiangxi's farming base and will carefully operate and monitor its future development. On the other hand, in order to increase revenue stream and better utilize the Group's arable lands in Jiangxi, the Group has been exploring the feasibility of exploiting certain arable lands open for public to develop agri-tourism business. This plan is highly dependent on the domestic government's development plan and the Group will continue to proactively negotiate with the domestic government and business partners to promote the development of the agri-tourism business.

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, as compared to approximately 3% for the same period in last year. The decline was mainly attributable to the decline in the revenues of the Group's FMCG Trading Business and the agri-products trading business and the decline in third party logistics and rental income following the disposal of the Zhongshan logistics centre. As mentioned above, the Group decided to gradually downsize its cold-chain products trading business, and thus the associated cold-chain logistics income also decreased correspondingly.

On 10 March 2017, the Group completed the acquisition of 100% interest in Sino Wealth Securities Limited ("Sino Wealth") which is principally engaged in securities brokerage business. During the Period, the securities brokerage business contributed stable revenue as expected. On 11 January 2017, the Company issued new ordinary shares on the basis of one rights share for every one share held to the shareholders of the Company through a rights issue. The net proceeds of the right issue were approximately HK$207.3 million and 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. The securities brokerage business is a new business and the Group has been reviewing continuously and formulating and developing its future business strategies and expansion plans. The Group has adopted a more conservative approach to manage risks and reserved the remaining balance of the net proceeds for utilization within 24 months from the date of completion of the acquisition of Sino Wealth, i.e. by 10 March 2019, to give the flexibility of the Group to implement the expansion plans if suitable opportunity arises.

The Group held an investment in a joint venture which indirectly owns and operates the Tycoon City, a Tsim Sha Tsui East-based department store, as a strategic move to exploit a new channel to promote the Group's imported products. The business of Tycoon City has bottomed out during the Period in tandem with the recovery of the retail sales in Hong Kong. Additionally, a better connection with the tourist industry through an introduction of a strategic investor also benefited its footfall and sales performance. As a result, share of net loss of Tycoon City has already reduced compared to the same period last year. The Group is cautiously optimistic on the prospect of Tycoon City following the continuous uptrend on the overall retail sales in Hong Kong.

The Group held 100% interest in Moon Concept which is principally engaged in organising concert scaled live show presentation in event halls with the rights to use the intellectual properties of the famous Japanese comic character “Ultraman” in the region of Hong Kong, Macau and Taiwan. The first “Ultraman” live shows, which were held in Macau in August 2017, were severely impacted by Typhoon Hato and the performance period of the live shows held in Macau had been shortened and early terminated. As a result, Moon Concept recorded a loss of approximately HK$8 million in addition to approximately HK$5 million amortization of license right during the Period. Owing to worsening financial viability, the Group decided to dispose of the investment in Moon Concept to increase cash reserves for other future investment opportunities and working capital purposes. On 11 December 2017, the Group entered into a disposal agreement to sell 100% interest in the subsidiary which held Moon Concept to an independent third party. As a result of the disposal, there was a disposal loss of approximately HK$0.3 million and hence the goodwill and other intangible asset as stated in the consolidated statement of financial position as at 31 December 2017 were substantially reduced by approximately HK$124.7 million and HK$38.2 million respectively. The net proceeds of approximately HK$150 million from the disposal were intended to finance other future investment opportunities and/or as general working capital.

Looking forward, the Group will continue to focus on the FMCG Trading Business by reinforcing procurement and distribution networks, meanwhile the Group will strategically diversify its investments such as the securities brokerage business and the potential agri-tourism business mentioned above. On the other hand, the Group will continue to implement various stringent cost-saving initiatives to reduce expenditure and uphold a strong financial position to weather any unforeseeable headwinds.

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.

At 31 December 2017, the Group had interest-bearing borrowings of approximately HK$11.3 million (30 June 2017: HK$33.3 million) of which all borrowings were denominated in Hong Kong dollars and all would mature within one year. All of the Group’s banking borrowings were floating-interest bearing, and were secured by corporate guarantees provided by the Company and certain subsidiaries of the Company and a charge over the available-for-sale financial assets of a subsidiary in carrying amount of approximately HK$34.8 million (30 June 2017: HK$34.1 million). At 31 December 2017, the Group had cash and cash equivalents of approximately HK$835.4 million (30 June 2017: HK$833.9 million) which were mainly denominated in Hong Kong dollars and Renminbi.

A significant portion of sales, purchases and services income of the Group were either denominated in Renminbi, Hong Kong dollars or US dollars. During the Period, the Directors consider that the operations of the Group are not exposed to significant foreign currency exchange risk in view of the relative stability of the exchange rates between these currencies. The Group will closely monitor the exchange rate volatility of foreign currencies and will consider entering into hedging contracts to mitigate its exposure when it is necessary. At 31 December 2017, the Group did not have any significant hedging instrument outstanding.

At 31 December 2017, the Group's current assets amounted to approximately HK$1,598.0 million (30 June 2017: HK$1,612.7 million) and the Group's current liabilities amounted to approximately HK$155.0 million (30 June 2017: HK$350.7 million). The Group's current ratio increased to approximately 10.3 as at 31 December 2017 (30 June 2017: 4.6) mainly attributable to the increase in cash and bank balance from the disposal of Moon Concept and continuously reducing borrowing level. At 31 December 2017, the Group had total assets of approximately HK$2,397.5 million (30 June 2017: HK$2,621.6 million) and total liabilities of approximately HK$163.1 million (30 June 2017: HK$365.8 million) with a gearing ratio of approximately 0.5% (30 June 2017: 1.3%). The gearing ratio was expressed as a ratio of total bank borrowings to total assets. The Group's gearing ratio remained fairly stable as at 31 December 2017.

NUMBER AND REMUNERATION OF EMPLOYEES

At 31 December 2017, the Group had approximately 450 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 2017, the interests and short positions of each Director and chief executive in the shares, underlying shares and debentures of the Company and 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 Companies ("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 and family interest	275,078,914	14.83%
Ms. Lee Choi Lin, Joecy ("Ms. Lee")	1	Interest in controlled corporation and family interest	275,078,914	14.83%
Mr. Chan Cheuk Yu, Stephen ("Mr. Chan")	2	Beneficial owner and interest in controlled corporation	521,955,073	28.14%
Ms. Hung Sau Yung, Rebecca	3	Beneficial owner	3,120,000	0.17%
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. 217,961,128 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; and 57,117,786 shares are held by World Invest Holdings Limited, a company incorporated in the BVI wholly and beneficially owned by Ms. Lee. Ms. Lee is the spouse of Mr. Lam. By virtue of the SFO, each of Mr. Lam and Ms. Lee is deemed to be interested in 275,078,914 shares.

2. Out of 521,955,073 shares in interest by Mr. Chan, 389,090,895 shares are held by Mr. Chan himself and 132,864,178 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 2017, 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 2017, 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	217,961,128	11.75%
Mr. Chan	2	Beneficial owner and interest in controlled corporation	521,955,073	28.14%
Glazy Target	2	Beneficial owner	132,864,178	7.16%

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 2017, 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 on 21 December 2009 by the Company during the Period:

Name or category of participants	Number of share options: At 1 July 2017	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2017	Date of grant of share options	Exercise period of share options	Exercise prices of share options HK$
Executive directors								
Ms. Hung Sau Yung, Rebecca	3,120,000	–	–	–	3,120,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
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)	8,216,000	–	–	(208,000)	8,008,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
Other eligible participants (in aggregate)	72,000,000	–	(54,000,000)*	–	18,000,000	23 January 2017	23 January 2017 to 22 January 2022	0.290
	1,444,440#	–	–	–	1,444,440*	15 June 2011	1 January 2013 to 31 December 2017	5.500
	28,080,000	–	–	–	28,080,000	16 January 2015	16 January 2015 to 15 January 2020	0.879
	119,620,440	–	(54,000,000)	(208,000)	65,412,440			

\# These shares options have a vesting period from 15 June 2011 to 31 December 2012.

* During the period, 54,000,000 ordinary shares of HK$0.10 each were issued in respect of a share option exercised under the share option scheme at an exercise price of HK$0.29 per share. The weighted average closing price of the shares of the Company immediately before the dates of exercises of the share options during the period was HK$0.66 per share.

At 31 December 2017, the Company had 65,412,440 (31 December 2016: 49,177,770) 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 65,412,440 (31 December 2016: 49,177,770) additional ordinary shares and additional share capital of approximately HK$6,541,000 (31 December 2016: HK$4,918,000) and share premium of approximately HK$47,029,000 (31 December 2016: HK$53,380,000) (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 2017 annual report of the Company which is required to be disclosed pursuant to Rule13.51B(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 2017.

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 2017, except with deviation from code provision A.2.1.

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors any non-compliance with the Model Code by each of them during the six months ended 31 December 2017 and they all confirmed that they had fully complied with the required standard set out in the Model Code.

REVIEW OF INTERIM REPORT

The interim report for the six months ended 31 December 2017 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, 27 February 2018

As at the date of this report, the Board comprises five executive directors, namely Mr. Lam Kwok Hing (Chairman), Ms. Lee Choi Lin, Joecy, Ms. Hung Sau Yung, Rebecca, 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.