ASIAN CITRUS HOLDINGS LIMITED
亞洲果業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 73)

ANNOUNCEMENT OF THE ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2022

The board (the "**Board**") of directors (the "**Directors**") of Asian Citrus Holdings Limited (the "**Company**") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2022 together with the comparative figures for the year ended 30 June 2021.

FINANCIAL HIGHLIGHTS

	For the year ended 30 June		
	2022	2021	% change
	(RMB Million)	*(RMB Million)*	
Reported financial information			
Revenue	**143.6**	195.6	–26.6
Other income	**7.6**	9.4	–19.1
(Loss)/profit before tax	**(19.0)**	7.3	–360.3
Net operating (loss)/profit	**(20.7)**	4.0	–617.5
(Loss)/profit attributable to shareholders	**(20.7)**	4.0	–617.5
Basic (loss)/earnings per share (RMB)	**(0.008)**	0.003	–366.7

FINANCIAL POSITION

	As at 30 June 2022 ***(RMB Million)***	As at 30 June 2021 *(RMB Million)*	% change
Total assets	**230.6**	266.3	–13.4
Net current assets	**83.2**	141.6	–41.2
Cash and cash equivalents	**48.1**	167.9	–71.4
Shareholders' fund	**201.5**	214.5	–6.1
Current ratio	**3.87**	3.73	3.8

CHAIRMAN'S STATEMENT

On behalf of the Board, I am pleased to present the latest development, progress and annual results of the Group for the year ended 30 June 2022 to the shareholders of the Company.

REVIEW

2021/2022 has continued to be a challenging year for us, where the COVID-19 pandemic has continued to cause drastic disruptions to the global supply chain. Despite the relaxation of lockdown and quarantine policies by a number of countries, the occasional outbreak in the People's Republic of China (the "**PRC**") and the respective lockdown measures still posed significant difficulties for the fruit distribution industry. In addition, the sluggish consumer sentiment coupled with the slowing economy further negatively impacted the consumer willingness in purchasing premium fruits as many households are conservative in spending.

As a premium fruit producer and importer in the PRC, the Group continued to be inevitably affected by the direct and indirect adverse impacts from the prolonged COVID-19 pandemic, unfavourable weather and the diplomatic relationships between the PRC and other countries. The Group's farmland in Guangxi was directly affected by the outbreak of COVID-19 in early 2022, as lockdown measures were imposed by the local government which hindered the farmers in attending the farmlands. Under these circumstances, the citrus trees could not receive proper maintenance while being affected by unfavourable weather and diseases. As a result, the harvest of the Group's farmland in 2022 was unsatisfactory.

Nevertheless, the Group has been conducting feasibility studies on a number of new fruits which would require a shorter plantation cycle and are comparably less vulnerable to disease that are exposed to citrus fruits with the aim of improving profit margin and reducing the risk of infection of fruit diseases. The Group has begun planting passion fruits at a trial scale on its farmland in 2022. The Group believes the plantation of new fruits may lay down a strong foundation for the future development of the Group's Plantation Business.

In addition, as the fruit plantation industry in the PRC was generally affected by the lockdown measures as discussed above which limited the fruit supply, the Group sourced and imported more premium fruits from overseas instead from local suppliers for the customers in the Fruit Distribution Business in 2022, despite the global shipment and logistics costs remained at a high level.

In view of the challenging environment, the Group has explored opportunities to improve its profitability through refining the fruits portfolio under its Plantation Business and diversify its business by commencing the Air-conditioners Distribution Business. Despite the Group did not commit substantial resources in developing this new business, the Group recognised initial success after the completion of an acquisition of a company in late 2021. The Group will continue to assess the prospect of Air-Conditioners Distribution Business and review its development strategy.

Taking into account of the above factors, the Group recorded revenue of approximately RMB143.6 million for the year ended 30 June 2022, representing a decrease of approximately 26.6% as compared to the total revenue of approximately RMB195.6 million for the year ended 30 June 2021. The Group recorded a net loss of approximately RMB20.7 million for the year ended 30 June 2022 as compared to the net profit of approximately RMB4.0 million for the year ended 30 June 2021. The Company will continue to strive to enhance the revenue and the shareholder value of the Company in the foreseeable future.

PROSPECTS

The Plantation Business of the Group involves plantation and cooperation with the local farmers in plantation of various types of fruits. The Group continues to closely monitor the reform of its Plantation Business through the deploying procedures to improve its plantation technology and processes at the plantation, such as cost control and productivity management, and through diversified fruit projects by providing professional/technical advisory services to local farmers in exchange for certain management income. Subject to the COVID-19 situation and overall demand for fruits within the PRC, the Company considers that the performance of the Plantation Business will recover steadily to pre-COVID-19 level.

The Fruit Distribution Business of the Group involves distribution of various types of high-quality fruits in the PRC by sourcing from quality suppliers, with value-added services for processing and distributing under our own brand "Royalstar 新雅奇" to the customers. The Group also continues to receive recurring orders from various customers and cooperate with its suppliers seamlessly for its Fruit Distribution Business. Subject to factors including but not limited to the COVID-19 situation in different countries and corresponding governmental responses and measures, weather conditions and global diplomatic landscape, we are optimistic in our Fruit Distribution Business and market penetration of the high-quality fruits under our brand "Royalstar 新雅奇".

The Air-conditioners Distribution Business commenced by the Group in 2022 in view of diversifying the business portfolio of the Group. The Air-conditioners Distribution Business involves the distribution and installation of air-conditioners. As the demand for air-conditioners are expected to increase with the climate change, we are optimistic for the Air-conditioners Distribution Business to grow steadily.

With the persistence impact of the prolonged COVID-19 pandemic on the PRC's economy, the Company considers that the market demand for high-quality fruits may continue to remain uncertain due to consumers' spending sentiment is still sluggish. In addition, the Russia-Ukraine conflict has caused fluctuations in the price of a number of commodities including food, which further created uncertainties in the domestic demand and import price of premium fruits.

Facing these challenges ahead, the Company is exploring a number of strategies in expanding its operations. The Group will continue to explore opportunities to source new kinds of fruits from various overseas countries for importing to its customers in the PRC to expand its product portfolio or as substitutes for those imported fruits which are subject to current import restrictions and pandemic measures. The Group continues to actively approach various domestic suppliers for sourcing quality fruits to ensure a stable supply for the premium quality imported fruits portfolio.

As the uplift or relaxation of the restrictions and measures would depend on, among other things, national government diplomatic relations and policies, regional COVID-19 situation in different countries and the corresponding governmental responses and measures, the Company is bound to take careful steps and make business plans and strategize correspondingly. The Group will take precautionary measures to mitigate any possible impact of economic downturn faced by the Group as well as to enhance the long-term profitability and sustainability of the Group.

With the extensive experience and network gained by the Group over the years in the fruit industry, together with the diversification of the fruit portfolio and the plan for establishing a fruit distribution center, we believe the Group is well prepared to overcome the temporary difficulties and challenges and improve its business performance upon the recovery in global economy in the future.

APPRECIATION

On behalf of the Board, I would like to express our sincerest gratitude to our valued shareholders, customers and business partners for your persistent support and trust in the Company. I would also like to express my deepest thankfulness to our strong management team and staff for their enduring dedication to the Group during the past years. We look forward to creating a prosperous future of the Group for 2022/2023.

Ng Ong Nee
Chairman

30 September 2022

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 30 June 2022, the principal business activities of the Group include (i) the planting, cultivation and sales of agricultural produce in the in the PRC market (the "**Plantation Business**"); (ii) the distribution of various high-quality fruits in the PRC (the "**Fruit Distribution Business**") and (iii) the distribution and installation of air-conditioners in the PRC (the "**Air-conditioners Distribution Business**").

OUTLOOK

2022/2023 will continue to be a challenging period for the fruit planting and trading industry in the PRC. The ongoing impact of the COVID-19 pandemic is expected to last throughout 2022, which means the PRC fruit planting and trading industry will continue to face operational difficulties. In addition, the Russia-Ukraine conflict has caused fluctuations in the price of a number of commodities including food, which further created uncertainties in the domestic demand and import price of premium fruits.

Although the pandemic is generally under control in the PRC and it appears minimal risk of a national outbreak, there are still some regional outbreaks in different parts of the PRC. In response to the prolonged pandemic, local governments in the PRC have adopted policies such as lockdown, which have affected normal operations of the retail business, including those of the fruit distribution industry. In addition, the operations of the logistics industry in the PRC need to take measures like disinfection in accordance with the government's COVID-19 containment regulations, which has created inefficiency and additional costs. In other words, it has led to the longer time and higher cost of transporting fruits from the place of origin to the place of consumption and therefore has continued to have a negative impact on the fruit planting and trading industry in the PRC.

Nevertheless, the Chinese fruit planting and trading industry is expected to restore growth with the popularization of the vaccine and other factors which hopefully will provide a foundation for the economy recovery for the post-COVID-19 pandemic future.

Through the completion of the acquisition of the entire interest of 深圳市金龍建設工程有限公司 (Shenzhen Jinlong Construction Engineering Co., Ltd.*) ("**Jinlong Construction**") in December 2021 (the "**Acquisition**"), the Group commenced the Air-conditioners Distribution Business. Riding on the increasing living standard in the PRC, air-conditioners are becoming a necessity for households and the demand of air-conditioners is substantial which is generally not affected by pandemics such as COVID-19 and the present international tension. As such, the Group is optimistic that the Air-conditioners Distribution Business will continue to provide a stable revenue stream and improve profitability of the Group in the future.

BUSINESS REVIEW

For the Plantation Business, currently, the agricultural produces, mainly oranges, are planted and cultivated by the Group at the Hepu Plantation located in Guangxi, the PRC (the "**Hepu Plantation**") and subsequently wholesaled to certain distributors in the PRC.

In respect of the Fruit Distribution Business, the Group selects quality suppliers and provides technical and professional advisory services to them for improvement in cultivation yield. Driven by the demand of the customers for different types of fruits, the Group sources various types of fruits from those quality suppliers and then distributes the fruits to its customers, after necessary processing for the fruits (e.g. grading, cleaning, waxing, packing and labelling), under the Group's own brand "Royalstar 新雅奇" at a premium price.

The prolonged COVID-19 pandemic continued to pose unprecedented challenges to the global supply chains by, among others, increasing the costs in cross-border imports and exports. In addition, with local governments acting in accordance with the trends of reported cases, import and export rules became sporadic and ever-changing. Market players, especially those with businesses involving cross-border travel, are bound to respond to government implemented policies in a cost-effective way while attempting to keep business afloat.

During the year ended 30 June 2022, unfavourable weather leading to premature harvest of fruits in certain regions and resulting in unstable supply has further affected the fruit industry in the PRC. As a result, inferior quality of some of the fruits limited the quantity of premium fruits available within the Group's portfolio.

Aside from the abovementioned uncontrollable factors, the Group's fruit business is restraint by the global tightened diplomatic relations between the PRC and other countries, which led to temporary import restrictions, limiting the amount of premium quality imported fruits to meet customer demands.

Despite the challenging operating environment, the Group has continued to procure new customers across different cities in the PRC for further expansion of its Fruit Distribution Business as well as to secure additional supply agreements for enhancement of the variety of its fruits offered to customers. The recognition of the Group's own brand "Royalstar 新雅奇" and the strengthened relationships with the Group's suppliers and customers together attribute to the development in the scale of operation and market penetration of the Group's business.

In view of the challenging operating environment of the fruit industry, the Group explored opportunities to improve its profitability and diversify its business portfolio. During the year ended 30 June 2022, through the completion of the Acquisition in December 2021, the Group commenced the Air-conditioners Distribution Business, whereby the Group carries on the distribution and installation of air-conditioners provided to its customers in the PRC.

FINANCIAL REVIEW

Revenue

The Group recorded total revenue of approximately RMB143.6 million (2021: RMB195.6 million) for the year ended 30 June 2022.

The Group's operations can be divided into three segments, namely (i) Plantation Business; (ii) Fruit Distribution Business; and (iii) Air-conditioners Distribution Business. Below is an analysis of the revenue by segment.

	For the year ended 30 June		
	2022	2021	% change
	RMB'000	*RMB'000*	
Plantation Business	**8,510**	26,174	–67.5
Fruit Distribution Business	**123,155**	169,444	–27.3
Air-conditioners Distribution Business	**11,907**	–	100.0
Total	**143,572**	195,618	–26.6

For the year ended 30 June 2022, the Group recorded revenue of approximately RMB8.5 million (2021: RMB26.2 million) from the Plantation Business on completion of the harvest seasons of both winter and summer oranges in the Hepu Plantation. Due to the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in Guangxi in early 2022, the citrus trees did not receive regular attendance and maintenance properly, and both the harvest quantity and quality of the citrus were defeated as a result. In addition, the monthly contribution payable to the Cooperator of RMB300,000 came into effect on 1 January 2022 due to the rising cost of farmland (as explained below). Accordingly, the net revenue from the Plantation Business for the year ended 30 June 2022 decreased.

In respect of the Fruit Distribution Business, the Group recorded revenue of approximately RMB123.2 million (2021: RMB169.4 million) for the year ended 30 June 2022, representing a decrease of approximately 27.3% as compared to last year. The decrease is mainly attributable to (i) difficulties faced by the Group in importing fruits from the USA and Australia to the PRC; (ii) COVID-19 lockdown measures in countries and regions where the Group sourced fruits; and (iii) global supply chain shortages indirectly caused by COVID-19 pandemic as a result of limited shipment containers offered by freight operators; and (iv) unfavourable weather in certain regions which adversely affected harvest of certain fruits leading to a decrease in quality and selling price of the fruits.

The Group commenced the Air-conditioners Distribution Business in December 2021 and recorded revenue of approximately RMB11.9 million for the year ended 30 June 2022. Details of the Acquisition were disclosed in the Company's announcements dated 29 June 2021 and 12 July 2021.

Other income

For the year ended 30 June 2022, the Group recorded other income in the amount of approximately RMB7.6 million (2021: RMB9.4 million), which were mainly generated from various business cooperation agreements with independent farmers, interest income in connection with a loan to an associate of a substantial shareholder of the Company.

Realised gain arising from change in fair value of biological assets less costs to sell

For the year ended 30 June 2022, realised gain arising from change in fair value of the biological assets less costs to sell, which represented the net increase of fair value of the oranges when the Group's oranges became mature and were harvested, amounting to approximately RMB0.6 million (2021: RMB15.3 million) was recognised. The decrease was mainly attributable to unfavourable harvest quantity and quality of the Group's oranges during the year due to the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in Guangxi in early 2022.

Staff costs

For the year ended 30 June 2022, the staff costs of the Group amounted to approximately RMB8.4 million (2021: RMB9.1 million). The decrease in staff costs by approximately 7.7% was mainly attributable to (i) the waiver of emoluments given by an executive director of the Company as a voluntary contribution to curtail operating costs; and (ii) the reduction of rental expenses for an executive director's accommodation.

Distribution and other operating expenses

For the year ended 30 June 2022, the distribution and other operating expenses of the Group amounted to approximately RMB6.6 million (2021: RMB0.9 million), which comprised of service charges for import of fruits. During the year ended 30 June 2022, the quantity of fruits imported by the Group for its Fruit Distribution Business, including coconuts and durians, increased significantly, leading to a surge in the service charges to approximately RMB6.1 million (2021: RMB0.6 million).

General and other administrative expenses

For the year ended 30 June 2022, the general and other administrative expenses of the Group amounted to approximately RMB16.7 million (2021: RMB14.2 million), which comprised primarily of office administration expenses, legal and professional fees, research and development, and plantation security charges. The general and other administrative expenses increased mainly due to (i) an office accommodation charge of approximately RMB2.3 million for the re-arrangement of location of the Group's office in Hong Kong; and (ii) a termination fee paid to a farmer for repossession of certain farmland for cultivation of fruits by the Group under the Plantation Business.

Income tax expense

For the year ended 30 June 2022, income tax expense of the Group amounted to approximately RMB1.7 million (2021: RMB3.3 million), which comprised the enterprise income tax charged and payable by the Group under the Fruit Distribution Business and the Air-conditioners Distribution Business on the profit earned in the PRC.

Loss attributable to shareholders for the year

For the year ended 30 June 2022, loss attributable to shareholders of the Company was approximately RMB20.7 million (2021: profit of approximately RMB4.0 million). The Group recorded a loss for the year ended 30 June 2022 mainly due to (i) decrease in realised gain arising from changes in fair value of biological assets less costs to sell as a result of the unfavourable harvest quantity and quality of the Group's oranges due to the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in Guangxi in early 2022; (ii) increase in distribution and other operating expenses as the Group imported more fruits for its fruit distribution business, including coconuts and durians, during the year; and (iii) increase in provision for impairment loss recognised in respect of trade and other receivable and loan receivable under the expected credit losses model.

RISK FACTORS

The Group's Plantation Business and Fruit Distribution Business are vulnerable to certain risk factors as set out below.

Plantation Business

Climate changes and natural disasters

The Group's plantation is exposed to the risk of damage from climatic changes and natural disasters. In the event of adverse weather conditions, such as droughts, floods, typhoons, hailstorms, frost and rainstorms, and natural disasters, such as forest fire, diseases, insect infestation and pests, occur in Hepu area, the Plantation Business is likely to suffer a significant decline in productivity due to the damage to farming and its equipment. Eventually, it will have an adverse impact on the Group's revenue and financial performance.

Contractual arrangement at Hepu Plantation

The Hepu Plantation, which comprises farmland of approximately 46,000 mu located in Hepu county of Guangxi, is operated under a business cooperation agreement ending in 2050 (the "**Agreement**"). The Agreement was entered into between the Group and a cooperator (the "**Cooperator**") whereby the Cooperator would contribute farmland for use in the Plantation Business and the Group would be responsible for contributing those property, plant and equipment as well as providing and bearing the costs of fertilisers, pesticides, labour, technical support on cultivation and soil management. The Group will be entitled to 90% of the income generated from the Hepu Plantation accordingly.

Currently, the Cooperator leases the farmland from certain owners paying annual rent at rates, subject to periodic review and revision, based on a reasonable standard agreed upon in 2000 when the PRC's economy was experiencing a stage of development with low price index. As the PRC's economy has been developing rapidly in the last decade, the owners of the farmland have been repeatedly requesting an increase in rent via different means. In order to maintain a stable cooperation environment, the Cooperator has been negotiating through co-ordination with local government department. In view of the rising cost of the farmland contributed by the Cooperator, on 31 December 2021, the Group and the Cooperator entered into a supplemental agreement to the Agreement, pursuant to which, on top of the share of 10% of the income generated from the Hepu Plantation, the Group shall pay a fixed monthly contribution of RMB300,000 to the Cooperator.

Any further rent raise will increase Hepu Plantation's operating costs and lower its profit level to a certain extent. However, the Company believes a reasonable increase in the rent will help to promote a harmonic cooperation environment between the Cooperator and the owners of the farmland to facilitate a smooth running of the Plantation Business.

Fruit Distribution Business

Despite the global economy is showing signs of recovery from the COVID-19 pandemic, it is expected to continue to have significant impact on the economy of the PRC in 2022-2023, which means the risks facing the Fruit Distribution Business in the PRC in 2022-2023 may continue to be mainly caused by COVID-19 and related government measures and policies. The optimistic estimate is that the COVID-19 pandemic will be contained globally in the second half of 2022 as the vaccination coverage continues to increase.

In 2022-2023, COVID-19 may have a continuing impact on the Fruit Distribution Business in the PRC mainly in the following ways:

(1) The COVID-19 pandemic has affected the normal operations of the fruit distribution industry in the PRC. Although the epidemic is generally under control in the PRC and it appears minimal risk of a national outbreak, there are still some regional outbreaks in different parts of the PRC. In response to the epidemic, local governments in the PRC have adopted policies such as lockdown, which have affected normal business operations of the retail industry, including those of the fruit distribution industry.

(2) Since the outbreak of COVID-19 in early 2020, a large number of small and medium-sized enterprises in the PRC have closed down and the employment opportunity has reduced, coupled with the sluggish investment and consumer sentiment, it is difficult for some Chinese residents to achieve their expected income level from 2022 to 2023. Consequently, consumer behavior will vary and people may be reluctant to spend on expensive and premium-grade fruits.

(3) While the revenue of the PRC's fruit distribution industry has reduced because of the COVID-19 pandemic, shop rents and labour costs (wages and social security costs) continue to rise in the PRC, thus negatively affecting the profitability of the fruit distribution industry.

As the challenges arising from the COVID-19 pandemic are unprecedented, the exact impact of the COVID-19 pandemic to the PRC fruit planting and trading industry in 2023 cannot be predicted with certainty. The Group will remain cautiously optimistic that the overall business environment of the PRC fruit planting and trading industry will improve after the easing of the COVID-19 pandemic.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 30 June 2022 (2021: Nil).

CAPITAL

As at 30 June 2022, the total number of issued shares of the Company was 2,499,637,884 (2021: 2,499,637,884).

LIQUIDITY AND FINANCE RESOURCES

Liquidity

As at 30 June 2022, the Group did not have liabilities in respect of debt instruments nor bank borrowings. The net cash position of the Group was approximately RMB48.1 million as at 30 June 2022 (2021: RMB167.9 million).

As at 30 June 2022, the current ratio and quick ratio were 3.87 and 3.16 respectively (2021: 3.73 and 3.71 respectively).

Funding and treasury policy

During the year ended 30 June 2022, the Group had sufficient funds for its operation and would continue to adopt stringent cost control and conservative treasury policies in the running the businesses.

Charge on assets

None of the Group's assets were pledged as at 30 June 2022 (2021: Nil).

Capital commitments

As at 30 June 2022, the Group did not have any capital commitments (2021: RMB54.5 million).

FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk primarily through its cash and cash equivalents being denominated in a currency other than the functional currency of the operation to which they related. The currencies giving rise to this risk are primarily Hong Kong dollars.

The Group has relatively limited transactions denominated in foreign currencies, hence its exposure to exchange rate fluctuation is currently minimal and the Group does not need to use any derivative contracts to hedge against its exposure to foreign exchange risk. Management manages the foreign exchange risk by closely monitoring the movement of the currency exchange rate from time to time.

EMPLOYEES OF THE GROUP

The Group has adopted a competitive remuneration package since it aims to attract, retain and motivate high calibre individuals. Remuneration packages are performance-linked and business performance, market practices and competitive market conditions are all taken into consideration in determining remuneration. Remuneration packages, which are reviewed annually, include salaries/wages and other employee benefits, such as accommodation, discretionary bonuses, mandatory provident fund contributions and share options.

As at 30 June 2022, the Group had 47 (2021: 28) permanent employees.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2022 (2021: Nil).

OTHER SIGNIFICANT EVENTS

(1) Acquisition of land and properties in the PRC

深圳市冠佳利實業有限公司 (Shenzhen Guanjiali Industrial Limited*) ("**Shenzhen Guanjiali**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with 高錫武 (Mr. Gao Xiwu*) on 19 January 2021. Pursuant to the Sale and Purchase Agreement, Mr. Gao Xiwu agreed to sell, and Shenzhen Guanjiali agreed to purchase, the entire interest in a building complex comprising four building blocks as plant, office premises, warehouse and staff quarters located at the junction of Dongcun Road and Xingqiao Road, Longgang District, Shenzhen, Guangdong Province, the PRC (中國廣東省深圳市龍崗區東村路與興橋路交界) (the "**Target Land and Properties**") at an aggregate consideration of RMB57 million (the "**Consideration**"), which shall be settled by cash to be financed by the net proceeds from a placing of shares under specific mandate (the "**Placing**").

On 30 November 2021, the delivery of the Target Land and Properties on vacant possession basis in accordance with the terms and conditions of the Sale and Purchase Agreement ("**Vacant Possession Delivery**") took place after the completion of transferring the title registration of the Target Land and Properties to Shenzhen Guanjiali with Shenzhen Real Estate Registration Centre. Following the Vacant Possession Delivery, the Group became the owner of the entire interest in the Target Land and Properties.

Further details of the acquisition of the Target Land and Properties and the Placing were disclosed in the Company's announcements dated 19 January 2021, 20 January 2021 and 30 November 2021 and the Company's circular dated 16 March 2021.

(2) Acquisition of entire equity interest of an enterprise in the PRC

深圳市冠華水果商城有限公司 (Shenzhen First Class Fruits Company Limited) ("**Shenzhen First Class Fruits**"), a wholly-owned subsidiary of the Company, 深圳市金龍空調電器有限公司 (Shenzhen Jinlong Air Conditioning Electric Co., Ltd.*) (the "**Vendor**") and Jinlong Construction (the "**Target Company**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**") on 29 June 2021. Pursuant to the Equity Transfer Agreement, Shenzhen First Class Fruits has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest of the Target Company at a consideration of RMB2,500,000, subject to adjustment.

On 21 December 2021, the completion of the Acquisition took place in accordance with the terms and conditions of the Equity Transfer Agreement after transferring the title registration of Target Company to 深圳市晉達實業有限公司 (Shenzhen Jinda Industrial Limited*), a wholly-owned subsidiary of the Company designated by Shenzhen First Class Fruits as its nominee to acquire the entire interest of the Target Company. Following the completion, the Target Company has become a wholly-owned subsidiary of the Company and the financial results of the Target Company were consolidated into the Group's financial statements.

More details of the Acquisition were disclosed in the Company's announcements dated 29 June 2021 and 12 July 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	Note	**2022** ***RMB'000***	2021 *RMB'000*
Revenue	*5*	**143,572**	195,618
Other income	*6*	**7,605**	9,389
Cost of inventories used		**(126,596)**	(179,840)
(Provision for)/reversal of impairment loss recognised under expected credit losses model, net		**(2,658)**	105
Realised gain arising from changes in fair value of biological assets less costs to sell		**617**	15,331
Depreciation of property, plant and equipment and right-of-use assets		**(9,772)**	(9,012)
Staff costs		**(8,442)**	(9,102)
Finance costs		**(2)**	(23)
Distribution and other operating expenses		**(6,632)**	(921)
General and other administrative expenses		**(16,718)**	(14,226)
(Loss)/profit before tax	*7*	**(19,026)**	7,319
Income tax expense	*8*	**(1,670)**	(3,327)
(Loss)/profit for the year attributable to owners of the Company		**(20,696)**	3,992
		RMB	*RMB*
(Loss)/earnings per share	*9*		
– Basic and diluted		**(0.008)**	0.003

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit for the year	**(20,696)**	3,992
Other comprehensive income/(loss) for the year		
Items that will not be reclassified to profit or loss:		
– Exchange differences on translation from foreign currency to presentation currency	**10,218**	(8,086)
– Fair value change on investments funds classified as financial assets at fair value through other comprehensive income	**6,589**	–
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations, net of tax	**(9,119)**	7,483
Other comprehensive income/(loss)	**7,688**	(603)
Total comprehensive (loss)/income for the year attributable to owners of the Company	**(13,008)**	3,389

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	2022 RMB'000	2021 RMB'000
ASSETS			
Non-current Assets			
Property, plant and equipment		**63,234**	67,886
Right-of-use assets		**51,928**	–
Financial assets at fair value through other comprehensive income		**3,202**	–
Prepayment for property, plant and equipment		**–**	5,000
		118,364	72,886
Current Assets			
Biological assets		**910**	520
Inventories		**19,492**	994
Trade and other receivables	*10*	**31,005**	19,293
Loan receivables		**6,978**	–
Prepayments		**5,742**	4,756
Cash and cash equivalents		**48,100**	167,876
		112,227	193,439
Total Assets		**230,591**	266,325
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital		**22,831**	22,831
Reserves		**178,689**	191,697
Total Equity		**201,520**	214,528
LIABILITIES			
Current Liabilities			
Trade and other payables	*11*	**28,498**	11,535
Contract liabilities		**164**	39,411
Lease liabilities		**46**	–
Income tax payable		**321**	851
		29,029	51,797
Non-current Liabilities			
Lease liabilities		**42**	–
Total Equity and Liabilities		**230,591**	266,325

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

1. GENERAL INFORMATION

The Company was incorporated in Bermuda on 4 June 2003 as an exempted company with limited liability under the Companies Act of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The substantial shareholders of the Company are Mr. Kung Chak Ming ("**Mr. Kung**"), Mr. Xu Guodian, Mr. Liu Peng and Changjiang Tyling Management Company Limited which is 50% owned by Mr. Ng Ong Nee.

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is located at 1/F., Ching Cheong Industrial Building, 1-7 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are planting, cultivation and sale of agricultural produce, distribution of fruits and distribution and installation of air-conditioners.

The Company's functional currency is Hong Kong dollar ("**HKD**"). However, the consolidated financial statements are presented in Renminbi ("**RMB**"), as the Board considers that RMB is the functional currency of the primary economic environment in which most of the transactions of the Group are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in the nearest thousand of RMB ("**RMB'000**"), unless otherwise stated.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

(a) Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the current year for the preparation of the consolidated financial statements:

Amendments to IFRS 16	COVID-19-Related Rent Concession beyond 30 June 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* amendments to IFRSs in the current year has had no material impact on the Group's financial performance and financial positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

(b) New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]
Amendments to IAS 1 and IFRS Practice Statements 2	Disclosure of Accounting[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures in accordance with the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments and biological assets, which are measured at fair values, as appropriate.

The preparation of the consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

4. SEGMENT INFORMATION

For management purpose, the Group's operating segments are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other operating segments.

During the year ended 30 June 2022, the Group commenced the business engaging in distribution and installation of air-conditioners in the PRC along with the acquisition of Jinlong Construction, and it is considered as a new operating and reportable segment by the management.

Particulars of the Group's reportable operating segments are summarised as follows:

Plantation Business	–	Planting, cultivation and sale of agricultural produce
Fruit Distribution Business	–	Distribution of various fruits
Air-conditioners Distribution Business	–	Distribution and installation of air-conditioners

Segment results, assets and liabilities

The following is an analysis of the Group's revenue and results by reportable operating segments:

	Plantation Business		**Fruit Distribution Business**		**Air-conditioners Distribution Business**		**Total**	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
RESULTS								
Reportable segment revenue and revenue from external customers	**8,510**	26,174	**123,155**	169,444	**11,907**	–	**143,572**	195,618
Reportable segment results	**(12,003)**	7,090	**2,775**	11,093	**721**	–	**(8,507)**	18,183
Unallocated finance costs							**–**	(23)
Unallocated corporate expenses							**(12,367)**	(15,955)
Unallocated corporate income							**178**	1,787
(Loss)/profit for the year							**(20,696)**	3,992
ASSETS								
Segment assets	**88,131**	107,097	**60,340**	83,492	**32,086**	–	**180,557**	190,589
Unallocated corporate assets							**50,034**	75,736
Total assets							**230,591**	266,325
LIABILITIES								
Segment liabilities	**(308)**	(1,421)	**(1,570)**	(43,708)	**(24,686)**	–	**(26,564)**	(45,129)
Unallocated corporate liabilities							**(2,507)**	(6,668)
Total liabilities							**(29,071)**	(51,797)

The accounting policies of operating segments are the same as the Group's accounting policies. Segment results represent the profit/loss after tax from each segment without allocation of certain other income, certain depreciation of property, plant and equipment and right-of-use assets, finance costs, central administration costs and directors' emoluments. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

There were no inter-segment revenue in both years.

All assets and liabilities are allocated to the reportable segments other than those that are for central administrative purposes, including certain property, plant and equipment, right-of-use assets, certain deposits and other receivables, loan receivables, certain cash and cash equivalents, certain trade and other payables and lease liabilities.

Other Segment Information

Amounts included in the measurement of segment profit or segment assets:

	Plantation Business		Fruit Distribution Business		Air-conditioners Distribution Business		Unallocated		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Realised gain arising from changes in fair value of biological assets less costs to sell	**617**	15,331	**–**	–	**–**	–	**–**	–	**617**	15,331
Interest income	**137**	8	**73**	78	**1**	–	**2**	–	**213**	86
Depreciation of property, plant and equipment	**(7,912)**	(7,840)	**(107)**	(15)	**(1)**	–	**(44)**	(92)	**(8,064)**	(7,947)
Depreciation of right-of-use assets	**–**	–	**(1,691)**	–	**(17)**	–	**–**	(1,065)	**(1,708)**	(1,065)
(Provision for)/reversal of impairment losses recognised in respect of trade and other receivables, net	**(2,197)**	(1,066)	**–**	1,172	**(204)**	–	**(137)**	(1)	**(2,538)**	105
Provision for impairment losses recognised in respect of loan receivables, net	**(120)**	–	**–**	–	**–**	–	**–**	–	**(120)**	–
Income tax expense	**–**	–	**(1,583)**	(3,327)	**(87)**	–	**–**	–	**(1,670)**	(3,327)
(Loss)/gain on disposal of property, plant and equipment	**–**	–	**–**	–	**–**	–	**(8)**	236	**(8)**	236
Loss on written-off of property, plant and equipment	**(2,450)**	–	**–**	–	**–**	–	**–**	–	**(2,450)**	–
Written-down of inventories	**–**	–	**–**	(3)	**–**	–	**–**	–	**–**	(3)
Additions to property, plant and equipment	**2,414**	47	**3,467**	–	**4**	–	**1**	–	**5,886**	47
Additions to right-of use assets	**–**	–	**53,533**	–	**–**	–	**–**	–	**53,533**	–

Geographical information

Since over 90% of the Group's revenue and operating profit or loss were generated in the PRC for both years and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2022	2021
	RMB'000	*RMB'000*
Customer A[1]	**102,511**	21,467
Customer B[1]	**N/A[2]**	31,164
Customer C[1]	**N/A[2]**	26,291

[1] Revenue generated from customer A, B and C are attributable to Fruit Distribution Business.

[2] Revenue generated from customer B and C each did not contribute over 10% of the total revenue of the Group for the year ended 30 June 2022.

No other customers contributed 10% or more to the Group's total revenue for both years.

5. REVENUE

Disaggregation of revenue from contracts with customers

	Plantation Business		Fruit Distribution Business		Air-conditioners Distribution Business		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Sales of oranges and other citrus	**8,510**	26,174	**–**	19,248	**–**	–	**8,510**	45,422
Sales of other fruits	**–**	–	**123,155**	150,196	**–**	–	**123,155**	150,196
Sales of air-conditioners	**–**	–	**–**	–	**11,907**	–	**11,907**	–
	8,510	26,174	**123,155**	169,444	**11,907**	–	**143,572**	195,618

All of the Group's revenue is recognised at a point in time.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining obligations under the contracts as all contract works have an original expected duration of one year or less.

6. OTHER INCOME

	Note	2022	2021
		RMB'000	*RMB'000*
Management income	*(i)*	**6,907**	7,503
Bank interest income		**115**	86
Interest income on loan receivables		**98**	–
Government subsidy	*(ii)*	**20**	133
Gain on disposal of property, plant and equipment		**–**	236
Gain on bargain purchase on acquisition of a subsidiary		**158**	–
Sundry income		**307**	1,431
		7,605	9,389

Notes:

(i) Management income was derived from the Group's provision of management services on cultivation under the cooperation agreements with individual farmers.

(ii) During the year ended 30 June 2022, the Group recognised government grant of approximately RMB20,000 (equivalent to approximately HKD24,000) (2021: RMB133,000 (equivalent to approximately HKD161,000)) which related to Employee Support Scheme provided by the Hong Kong government.

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax is stated after charging/(crediting) the following:

		2022 *RMB'000*	2021 *RMB'000*
(a)	**Staff costs (including directors' emoluments)**		
	– salaries, wages and other benefits	**7,859**	8,742
	– contribution to defined contribution retirement plans	**583**	360
		8,442	9,102
(b)	**Other items**		
	Auditors' remuneration for audit service	**1,365**	1,324
	Depreciation of property, plant and equipment	**8,064**	7,947
	Depreciation of right-of-use assets	**1,708**	1,065
	Exchange (gain)/loss, net	**(76)**	311
	Provision for/(reversal of) impairment losses under expected credit losses ("**ECL**") model recognised in respect of trade and other receivables, net	**2,538**	(105)
	Provision for impairment losses under ECL model recognised in respect of loan receivables, net	**120**	–
	Legal and professional fees	**1,956**	5,181
	Office accommodation charges	**2,252**	–
	Expenses relating to short term leases	**18**	280
	Loss/(gain) on disposal of property, plant and equipment	**8**	(236)
	Loss on written-off of property, plant and equipment	**2,450**	–
	Written-down of inventories	**–**	3
	Plantation security charges	**971**	1,003

8. INCOME TAX EXPENSE

Income tax expense in the consolidated statement of profit or loss represents:

	2022 *RMB'000*	2021 *RMB'000*
Current tax		
PRC enterprise income tax	**1,670**	3,327

Income tax has been provided for by the Group on the basis stated below:

(i) Pursuant to the rules and regulations of Bermuda and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the respective tax jurisdictions.

(ii) Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for both years.

No provision for taxation in Hong Kong has been made as the Group has no assessable profits for the purpose of Hong Kong profits tax for both years.

(iii) The Group determined its provision for PRC enterprise income tax based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax laws, rules and regulations of the PRC.

According to the PRC tax laws, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from such business. 廣西合浦冠華農業有限公司 (Guangxi Hepu Guanhua Agriculture Co., Ltd.*) (the "**Agriculture Company**") in the PRC engaged in qualifying agricultural business is entitled to full exemption of enterprise income tax.

The applicable enterprise income tax rate of the other operating entities in the PRC was 25%.

(iv) PRC withholding income tax

According to the new Corporate Income Tax Law of the PRC, starting from 1 January 2008, a withholding tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong according to the tax treaty arrangements between the PRC and Hong Kong.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the (loss)/earnings per share is based on the following data:

	2022	2021
	RMB'000	*RMB'000*
(Loss)/profit		
(Loss)/profit attributable to owners of the Company used in basic and diluted (loss)/earnings per share calculations	**(20,696)**	3,992
Weighted average number of shares	***'000***	*'000*
Weighted average number of ordinary shares used in basic and diluted (loss)/earnings per share calculations	**2,499,638**	1,499,638

Diluted (loss)/earnings per share were the same as basic (loss)/earnings per share for the years ended 30 June 2022 and 2021 as there were no potential ordinary shares in issue.

10. TRADE AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**6,623**	4,166
Less: Allowance for ECL	**(204)**	(71)
	6,419	4,095
Deposits paid and other receivables *(Note)*	**31,264**	19,471
Less: Allowance for ECL	**(6,678)**	(4,273)
	24,586	15,198
Total trade and other receivables, net of allowance for ECL	**31,005**	19,293

Note: As at 30 June 2022, included in the deposits paid and other receivables were mainly (i) amount due from 利添生物科技發展(合浦)有限公司 (Lucky Team Biotech Development (Hepu) Limited*) of approximately RMB14,275,000 (2021: RMB10,366,000); and (ii) proceeds from redemption of investment funds of approximately RMB16,807,000 which was received subsequent to the end of the reporting period.

The following is an ageing analysis of trade receivables, presented based on the invoice date, which approximates the respective revenue recognition dates and net of allowance for ECL:

	2022	2021
	RMB'000	*RMB'000*
0-30 days	**5,191**	4,095
31-60 days	**303**	–
61-90 days	**533**	–
Over 90 days	**392**	–
	6,419	4,095

Trade receivables from sales of goods are normally due for settlement within 30 to 90 days from the date of billing.

11. TRADE AND OTHER PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**3,547**	4,187
Other payables and accruals *(Note)*	**24,821**	7,221
Amount due to a director	**130**	127
	28,498	11,535

Note: As at 30 June 2022, other payables and accruals mainly comprise of outstanding legal and professional fees of approximately RMB2,152,000 (2021: RMB4,803,000); and (ii) amount due to the Vendor in respect of the advance to Jinlong Construction of approximately RMB18,659,000 (2021: Nil) which is interest free and repayable on demand.

The average credit period granted by suppliers was 30 days.

The balances of other payables and accruals are expected to be settled within one year or are repayable on demand.

The ageing analysis of trade payables by invoice date is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**3,482**	3,425
Over 3 months but within 1 year	**24**	120
Over 1 year	**41**	642
	3,547	4,187

12. CAPITAL COMMITMENTS

	2022	2021
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided for:		
Acquisition of a subsidiary *(Note)*	**–**	2,500
Acquisition of property, plant and equipment and right-of-use assets	**–**	52,000
	–	54,500

Note:

On 29 June 2021, Shenzhen First Class Fruits, a wholly-owned subsidiary of the Company, the Vendor and Jinlong Construction entered into an equity transfer agreement, pursuant to which Shenzhen First Class Fruits has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the entire equity interest of the Jinlong Construction at a consideration of RMB2,500,000 (the "**Consideration**"), subject to adjustment. The registered capital of Jinlong Construction was RMB10,000,000 and the paid-up capital was RMB2,000,000. The Vendor is in the course of contributing the balance in the sum of RMB8,000,000. In the event that the unaudited net asset value of Jinlong Construction as at the date of completion of the Acquisition is higher than or equal to RMB2,000,000, the Consideration shall remain unchanged. In the event that the unaudited net asset value of Jinlong Construction as at the date of completion of the Acquisition is lower than RMB2,000,000, the Consideration shall be adjusted downwards and to be equivalent to the unaudited net asset value of Jinlong Construction as at the date of completion of the Acquisition. Further details are disclosed in the Company's announcements dated 29 June 2021 and 12 July 2021.

The Acquisition was completed on 21 December 2021.

13. ACQUISITION OF A SUBSIDIARY

On 21 December 2021, the Group completed the acquisition of 100% equity interest of Jinlong Construction which is principally engaged in (i) mechanical and electrical equipment installation projects (excluding the installation and repair of power facilities); building renovation and decoration projects; (ii) sales, installation and on-site maintenance of metal and electric material products and mechanical equipment (excluding restricted items); and (iii) sales, installation and on-site maintenance of air conditioners; and air-conditioning engineering design. The Acquisition has been accounted for as acquisition of business using acquisition method.

The Vendor was owned as to approximately 37.17% by Mr. Kung Chun Lung, approximately 27.08% by Ms. Lin Dan Na and approximately 23.25% by Transamerica Trading (HK) Co. (which in turn is owned by Mr. Kung Ting Yin and Mr. Kung Ting Keung). Mr. Kung Chun Lung is the father of Mr. Kung, a substantial shareholder of the Company, while Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung are the relatives of Mr. Kung. As such, Jinlong Construction was a majority controlled company (as defined in the Listing Rules) of Mr. Kung Chun Lung, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung and is a connected person of the Company. The Acquisition of which constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Further details were disclosed in the Company's announcements dated 29 June 2021 and 12 July 2021.

Bargain purchase gain amounting to RMB158,000 on acquisition of Jinlong Construction is recognised in profit or loss within the "other income" line item in the consolidated statement of profit or loss. The gain on bargain purchase was attributable to the increase in fair value of the net assets to be acquired and then acquired between the date of determination of the consideration and the date of completion of the acquisition.

Consideration transferred

	RMB'000
Cash	2,500

The fair value of the identifiable assets and liabilities acquired, which were recognised at the date of acquisition, were as follows:

	RMB'000
Property, plant and equipment	3
Inventories	9
Trade and other receivables	6,915
Cash and cash equivalents	281
Trade and other payables	(4,550)
Net assets acquired	2,658

	RMB'000
Gain on bargain purchase:	
Consideration transferred	2,500
Less: Fair value of identifiable net assets acquired	(2,658)
Gain on bargain purchase	(158)
Net cash outflow on acquisition:	
Cash consideration paid	2,500
Less: Cash and cash equivalents acquired	(281)
Net cash outflow on the Acquisition	2,219

Impact of acquisition on the results of the Group

Included in the loss for the year ended 30 June 2022 of the Group is a profit of approximately RMB738,000 attributable to the additional business generated by Jinlong Construction during the period from 21 December 2021 to 30 June 2022. Included in the revenue for the year ended 30 June 2022 of the Group is a revenue of approximately RMB11,907,000 generated from Jinlong Construction's business for the period from 21 December 2021 to 30 June 2022.

Had the Acquisition occurred on 1 July 2021, the pro-forma revenue of the Group for the year ended 30 June 2022 would have been approximately RMB254,812,000, of which approximately RMB84,661,000 was generated from the Vendor, and the pro-forma loss of the Group for the year ended 30 June 2022 would have been approximately RMB17,567,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the Acquisition occurred on 1 July 2021, nor is it intended to be a projection of future results.

14. EVENTS AFTER THE REPORTING PERIOD

There are no material events undertaken by the Group subsequent to 30 June 2022 and up to the date of this announcement.

OTHER INFORMATION

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

The Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities during the year ended 30 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good corporate governance practices and procedures for enhancing the accountability and transparency of the Company to its investors and shareholders.

The Company's corporate governance practices are based on the principles and code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

During the year ended 30 June 2022, the Company has complied with the Code Provisions of the CG Code, except for the following deviations from the amended CG Code which came into effect on 1 January 2022:

Code Provision B.3.1

During the period from 1 July 2021 to 28 March 2022, the Company did not have a nomination committee. The Directors considered that, given the size of the Group and its stage of development, the composition of the Board was kept under regular review by the Board together with the plans for orderly succession to the Board and its structure, size and composition. The Board has adopted a nomination policy which set out the relevant appointment criteria and, in case of the Independent Non-executive Directors (the "**INEDs**"), the independence requirements set out in the Listing Rules. Nomination of new Director(s) will normally be made by the Executive Directors and is subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

The Company has established a nomination committee on 29 March 2022 (the "**Nomination Committee**") and adopted the written terms of reference in compliance with the Code Provision B.3.1 of the CG Code.

Code Provision C.2.1

Mr. Ng Ong Nee, the Chief Executive Officer of the Company, was appointed as Chairman of the Board on 4 August 2015. Since then, the roles of the Chairman and Chief Executive Officer have been performed by the same individual, Mr. Ng Ong Nee, and were not separated. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person enables more effective and efficient overall strategic planning for the Group. The Board meets regularly to consider issues related to corporate matters affecting the operations of the Group and considers that the balance of power and authority for such arrangement will not be impaired and is adequately ensured by the current Board which comprises experienced and high caliber individuals with sufficient number thereof being INEDs.

Code Provision C.1.6

INEDs and other non-executive directors should attend general meetings of the Company and develop a balanced understanding of the views of the shareholders. Although the INEDs and the Non-executive Directors were unable to attend the annual general meeting (the "**AGM**") of the Company in 2021, the senior management of the Company had reported all special enquiries from the shareholders and acted as the communication bridge between the shareholders and the INEDs as well as the Non-executive Directors so that they could be aware of and understand the view of the shareholders accordingly.

Code Provision F.2.2

The Chairman of the Board should attend the AGM of the Company. Although the Chairman of the Board was unable to attend the AGM of the Company in 2021 due to other business engagements, he had nominated the Deputy Chief Executive Officer as his alternate to attend and chair the AGM and to provide response in respect of any information required by the shareholders of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in its securities. Following a specific enquiry made to all Directors by the Company, each of them has confirmed that he/she had fully complied with the required standard as set out in the Model Code throughout the year ended 30 June 2022.

CHANGES IN THE COMPOSITION OF THE BOARD AND OTHER POSITION OF DIRECTORS

Change in the composition of the Board and other position of Directors during the year and up to the date of this announcement is set out below:

Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han retired as INEDs effective from the conclusion of the AGM of the Company held on 30 December 2021 (the "**Retirement of INEDs**").

Upon the Retirement of INEDs:

(a) Dr. Lui Ming Wah, PhD, SBS, JP ceased to be a member of the Audit Committee and the Remuneration Committee; and

(b) Mr. Yang Zhen Han ceased to be a member of the Audit Committee.

Following the Retirement of INEDs and up to 29 March 2022:

(a) the total number of INEDs accounts for less than one-third of the Board members, and hence the Company failed to meet the requirement of Rule 3.10A of the Listing Rules;

(b) the number of INEDs and the number of members of the Audit Committee fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules respectively; and

(c) the Remuneration Committee has two members, one of whom (being the chairman) was an INED and the other was an executive Director, and hence the Company did not meet the requirement under Rule 3.25 of the Listing Rules as the Remuneration Committee did not comprise a majority of INEDs.

With effect from 29 March 2022:

(a) Mr. Lai Zheng was appointed as an INED, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee;

(b) Mr. Wang Tianshi was appointed as an INED, a member of the Audit Committee and the Nomination Committee; and

(c) Mr. Liu Ruiqiang was appointed as the Chairman of the Nomination Committee.

Following the appointment of Mr. Lai Zheng as an INED and a member of the Audit Committee and the Remuneration Committee and the appointment of Mr. Wang Tianshi as an INED and a member of the Audit Committee, the Company has complied with the requirements of (i) having appointed INEDs representing at least one-third of the Board under Rule 3.10A of the Listing Rules; (ii) having at least three INEDs on the Board under Rule 3.10(1) of the Listing Rules; (iii) having a minimum of three INEDs in the Audit Committee under Rule 3.21 of the Listing Rules; (iv) having a majority of INEDs in the Remuneration Committee under Rule 3.25 of the Listing Rules; and (v) having a majority of INEDs in the Nomination Committee under Rule 3.27A of the Listing Rules.

With effect from 11 July 2022:

(a) Ms. Liu Jie was appointed as an INED.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2022 of the Group as set out in this announcement have been agreed by the Company's independent auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2022. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

REVIEW OF THE ANNUAL RESULTS BY AUDIT COMMITTEE

The audit committee of the Board (the "**Audit Committee**") comprises three INEDs, Mr. Liu Ruiqiang, Mr. Lai Zheng and Mr. Wang Tianshi; Mr. Liu Ruiqiang is the chairman of the Audit Committee. The establishment of the Audit Committee is in compliance with Rule 3.21 of the Listing Rules.

The Audit Committee has the primary responsibility for reviewing the effectiveness of the Company's financial control, internal control and risk management systems and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the external auditors relating to the annual financial statements, and monitoring the accounting, internal control and risk management systems in use throughout the Group for the year ended 30 June 2022.

The Audit Committee has reviewed with the management and the Company's independent auditors regarding the accounting principles and practices adopted by the Group and has also discussed auditing, internal control and financial reporting matters, including the review of the Group's audited consolidated financial statements and annual results for the year ended 30 June 2022.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company will be published on the respective websites of the Company (www.asian-citrus.com) under the investor relations section and the Stock Exchange (www.hkex.com.hk).

By Order of the Board
Asian Citrus Holdings Limited
Ng Ong Nee
Chairman

Hong Kong, 30 September 2022

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Ong Nee (Chairman and Chief Executive Officer) and Mr. Ng Hoi Yue (Deputy Chief Executive Officer); two non-executive Directors, namely Mr. James Francis Bittl and Mr. He Xiaohong; and four independent non-executive Directors, namely Mr. Liu Ruiqiang, Mr. Lai Zheng, Mr. Wang Tianshi and Ms. Liu Jie.

* *For identification purposes only*