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

(incorporated in Bermuda with limited liability)

(Stock Code: 73)

ANNUAL REPORT 2021/22

* For identification purposes only

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FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

	For the year ended 30 June 2022 (RMB Million)	2021 (RMB Million)	% change
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 of directors (the "**Board**") of Asian Citrus Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), 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 People's Republic of China (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.*) 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.

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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 of directors of the Company (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) (the "**Purchaser**"), 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 深圳市金龍建設工程有限公司 (Shenzhen Jinlong Construction Engineering Co., Ltd.*) (the "**Target Company**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**") on 29 June 2021. Pursuant to the Equity Transfer Agreement, the Purchaser 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 the Purchaser 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.

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DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

Mr. NG Ong Nee, *Chairman, Chief Executive Officer and a member of the Remuneration Committee*

Mr. NG Ong Nee, aged 69, joined the board (the "**Board**") of directors (the "**Directors**") of Asian Citrus Holdings Limited (the "**Company**") on 3 March 2014 as an Executive Director and was appointed as the Chairman of the Board on 4 August 2015. He is also a director of several subsidiaries of the Company. He is responsible for the overall strategic planning and direction of the Group. Mr. Ng has over 30 years of commercial and managerial experience in a variety of businesses and industries, including, in particular, strategic management, biological business and capital markets. Before joining the Company, he worked as the chief executive officer for a number of companies with multi-national businesses and investments. He has been responsible for leading, developing and executing the overall strategy and the day-to-day operations. He has been an Executive Committee member of the Chinese Enterprises Investment Association since 2013 and he was the vice president of the Hong Kong Australia Investment Association from 2007 to 2012. He was also a president of the Shenzhen-Hong Kong Business Association from 2006 to 2009.

Mr. NG Hoi Yue, *Deputy Chief Executive Officer*

Mr. NG Hoi Yue, aged 58, joined the Board on 15 March 2013 as an Independent Non-executive Director and was re-designated as an Executive Director on 4 August 2015. He is also a director of several subsidiaries of the Company. Mr. Ng is a fellow member of The Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in England. He has been practising as a certified public accountant in Hong Kong since 1989. He is currently an independent non-executive director of Ulferts International Limited (stock code: 1711), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He was an independent non-executive director of Imperial Pacific International Holdings Limited (stock code: 1076), the shares of which are listed on the Main Board of the Stock Exchange, from 21 November 2013 to 11 March 2022.

NON-EXECUTIVE DIRECTORS

Mr. James Francis BITTL

Mr. James Francis BITTL, aged 36, joined the Board on 16 June 2021 as a Non-executive Director. Mr. Bittl received a MBA from The University of Chicago Booth School of Business in 2022, a Master of Arts from New York University in 2011 and a Bachelor of Arts from Bowdoin College in 2008. Mr. Bittl has ample experience in corporate planning and management. He is currently the managing director of World Force Trading Limited, a company principally engaged in real estate investment and general trading.

Mr. HE Xiaohong

Mr. HE Xiaohong, aged 47, joined the Board on 10 February 2017 as a Non-executive Director. Mr. He obtained the degree of Bachelor of Business Administration from Central South University in the People's Republic of China (the "**PRC**") in 2013. He is also an economist accredited by Ministry of Human Resources and Social Security of the PRC. He is currently the general manager of Shenzhen Yin Tong Lian Assets Appraisal Company Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Ruiqiang, *Chairman of the Audit Committee, the Nomination Committee and the Remuneration Committee*

Mr. LIU Ruiqiang, aged 58, joined the Board on 10 June 2021 as an Independent Non-executive Director. Mr. Liu graduated from Sun Yat-sen University with major in economics administration in July 1985. He has over 30 years of experience in the field of tax, accounting, auditing and finance. Mr. Liu is currently a certified public accountant of the Chinese Institute of Certified Public Accountants, a senior member of Shenzhen Institute of Certified Public Accountants and a registered tax agent in the PRC. He is a partner of 深圳市義達山河税務師事務所有限公司 (Shenzhen Yidashanhe Certified Tax Agents Co., Ltd.*) and also a partner and director of 深圳市義達會計師事務所有限責任公司 (Shenzhen Yida Certified Public Accountants Co., Ltd.*).

Mr. LAI Zheng, *a member of the Audit Committee and the Remuneration Committee*

Mr. LAI Zheng, aged 39, joined the Board on 29 March 2022 as an Independent Non-executive Director. Mr. Lai obtained a bachelor's degree in 測控技術與儀器 (electronic science and technology*) from the Beijing Institute of Technology in the PRC in 2006. He has ample experience in corporate financing and management. He has been the managing partner of LQ Pacific Partners Group since 2018, a company principally engaging in private equity financing and advisory services globally, including merger and acquisition, fund raising and initial public offering advisory services.

Mr. WANG Tianshi, *a member of the Audit Committee*

Mr. WANG Tianshi, aged 38, joined the Board on 29 March 2022 as an Independent Non-executive Director. Mr. Wang obtained a master's degree in business administration from the Harvard University in 2012. He is experienced in investment and business management. He is currently the managing partner of Hony Ventures, principally engaging in venture capital investments in consumer and technology.

Ms. LIU Jie

Ms. LIU Jie, aged 41, joined the Board on 11 July 2022 as an Independent Non-executive Director. Ms. Liu obtained a bachelor's degree in international finance from Hunan University in the PRC in 2003 and further obtained a master's degree in business administration from Southwest University in the PRC in 2012. She has been in the banking industry for over 14 years before joining 明亞保險經紀股份有限公司 (Mingya Insurance Brokers Co. Ltd*) ("**Mingya**") in 2019. Mingya is a company principally engaged in insurance brokerage services in the PRC and Ms. Liu is currently the senior partner of Mingya.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Miss NG Ling Ling

Miss NG Ling Ling, aged 50, joined the Company in December 2013 as the financial controller of the fruit processing business of the Company and was appointed as the Company Secretary and the Chief Financial Officer on 3 August 2015 and 12 November 2015, respectively. She is responsible for overseeing accounting and finance functions of the Group. Miss Ng obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. She has many years of experience in accounting, financial reporting and company secretarial matters in companies listed on the Stock Exchange.

* *For identification purposes only*

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of Asian Citrus Holdings Limited (the "**Company**") is pleased to present their report on the affairs of the Company, together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 30 June 2022 (the "**Consolidated Financial Statements**") and the independent auditors' report thereon.

PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated under the laws of Bermuda with limited liability on 4 June 2003. The principal activities of the Group are planting, cultivation, sale of agricultural produce and distribution of fruits, distribution and installation of air-conditioners which are carried on by certain subsidiaries in the People's Republic of China (the "**PRC**").

BUSINESS REVIEW

A review of the Group's financial performance, business activities and development is included in the Chairman's Statement and the Management Discussion and Analysis on pages 5 to 11 of this annual report.

RESULTS

The loss attributable to shareholders of the Company for the year is set out in the Consolidated Statement of Profit or Loss on page 63 of this annual report.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 30 June 2022 (2021: Nil).

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on page 131 of this annual report.

RESERVES

Details of the movements in the reserves of the Group and of the Company during the year are set out in the Consolidated Statement of Changes in Equity on pages 67 to 68 of this annual report and Note 24 to the Consolidated Financial Statements respectively. As at 30 June 2022, no reserves of the Company were available for distribution (2021: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in Note 15 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye-laws of the Company (the "**Bye-Laws**"), or the laws of Bermuda, which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 24 to the Consolidated Financial Statements.

DIRECTORS

The Directors during the year and up to the date of this annual report are set out below:

Executive Directors
Mr. Ng Ong Nee *(Chairman and Chief Executive Officer)*
Mr. Ng Hoi Yue *(Deputy Chief Executive Officer)*

Non-executive Directors
Mr. James Francis Bittl
Mr. He Xiaohong

*Independent Non-executive Directors ("**INEDs**")*
Mr. Liu Ruiqiang
Mr. Lai Zheng (appointed on 29 March 2022)
Mr. Wang Tianshi (appointed on 29 March 2022)
Ms. Liu Jie (appointed on 11 July 2022)
Dr. Lui Ming Wah, PhD, SBS, JP (retired on 30 December 2021)
Mr. Yang Zhen Han (retired on 30 December 2021)

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 annual report 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 annual general meeting ("**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 Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**");

(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.

Rotation

In accordance with bye-law 87(2) of the Bye-Laws, any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office until the first general meeting of shareholders after his appointment or until the next following AGM of the Company and be subject to re-election at such meeting. Accordingly, Mr. Lai Zheng, Mr. Wang Tianshi and Ms. Liu Jie will retire from office, and being eligible offer themselves for re-election, at the forthcoming AGM.

In accordance with bye-laws 88(1) and 88(2) of the Bye-Laws, one-third of the Directors (other than those appointed pursuant to bye-law 87(2) of the Bye-Laws) shall retire from office by rotation and, being eligible, offer themselves for election. Accordingly, Mr. Ng Hoi Yue and Mr. He Xiaohong will retire from office, and being eligible offer themselves for re-election, at the forthcoming AGM.

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on page 30 of this annual report.

Save as disclosed above, none of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the INEDs an annual confirmation of his/her independence in writing pursuant to Rule 3.13 of the Listing Rules and the Board considers each of them to be independent.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests or short positions of the Directors and the Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "**SFO**")), which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, were as follows:

Name of Directors/ Chief Executive	Class of shares	Number of shares held: Personal interests	Family interests	Corporate interests	Other interests	Total	Approximate percentage of the Company's total issued share capital
Mr. Ng Ong Nee	Ordinary shares	–	–	179,252,394 *(Note)*	–	179,252,394	7.17%

Note: The corporate interests of 179,252,394 shares are owned by Changjiang Tyling Management Company Limited ("**Changjiang Tyling**"), a company of which 50% of the issued share capital is owned by Mr. Ng Ong Nee, the Chairman, an Executive Director and the Chief Executive Officer of the Company.

Save as disclosed above, none of the Directors, the Chief Executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of SFO) as at 30 June 2022 as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, so far as is known to the Directors, the substantial shareholders and persons or companies (other than the Directors and the Chief Executive of the Company) who/which had an interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed under the provision of Division 2 and 3 of Part XV of the SFO, or which would be required, to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Capacity Nature of interest	Number of Shares/ underlying shares held	Approximate percentage of the Company's total issued share capital
Mr. Kung Chak Ming *(Note 1)*	Beneficial owner/Personal	419,298,000	16.77%
Mr. Xu Guodian *(Note 2)*	Beneficial owner/Personal	276,243,000	11.05%
Mr. Liu Peng *(Note 3)*	Beneficial owner/Personal	221,981,000	8.88%
Changjiang Tyling *(Note 4)*	Beneficial owner/Corporate	179,252,394	7.17%
Mr. Ng Ong Nee *(Note 4)*	Interest in a controlled corporate	179,252,394	7.17%

Notes:

(1) These shares were issued and placed to Mr. Kung Chak Ming on 19 April 2021 under specific mandate pursuant to a placing agreement dated 19 January 2021.

(2) These shares were issued and placed to Mr. Xu Guodian on 19 April 2021 under specific mandate pursuant to a placing agreement dated 19 January 2021.

(3) These shares were issued and placed to Mr. Liu Peng on 19 April 2021 under specific mandate pursuant to a placing agreement dated 19 January 2021.

(4) Changjiang Tyling is 50% owned by Mr. Ng Ong Nee (who is the Chairman, an Executive Director and the Chief Executive Officer of the Company) and 50% owned by a third party independent to the Company and its connected persons. Mr. Ng Ong Nee (who is also a director of Changjiang Tyling) is deemed to be interested in 179,252,394 shares held by Changjiang Tyling by virtue of the SFO.

Save as disclosed above, the Directors are not aware of any other persons or companies (other than the Directors and the Chief Executive of the Company) who/which had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed under the provision of Division 2 and 3 of Part XV of the SFO or were required to be entered in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a new share option scheme at the AGM of the Company held on 30 December 2020 (the "**2020 Scheme Option Scheme**"), which is valid and effective for a period of 10 years commencing on 30 December 2020.

The 2020 Scheme Option Scheme enables the Company to grant options to eligible participants to subscribe for shares in the Company as incentives and rewards for their contributions to the Group. The Board may, at its discretion, invite (i) any employee including executive directors (whether full time or part time) of the Company, any subsidiary or any invested entity; (ii) any non-executive director (including any independent non-executive director) of the Company, any subsidiary or any invested entity; (iii) any consultant, professional, customer, supplier, agent, partner or adviser of or contractor to the Company, any subsidiary or any invested entity; to take up options to subscribe for the shares in the Company.

The option period shall not expire later than 10 years from the date of grant of option. There is no minimum period for which an option must be held or a performance target which must be achieved before it can be exercised.

The total number of shares in respect of which options may be granted under the 2020 Share Option Scheme must not in aggregate exceed 124,963,788 shares, representing 10% of the shares in issue as at the date of adoption of the 2020 Share Option Scheme. The total number of the shares issued and to be issued upon exercise of the options granted and to be granted to each grantee under the 2020 Share Option Scheme in any 12-month period must not exceed 1% of the shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such grantee and his/her/its associates abstaining from voting. Options to a substantial shareholder or an independent non-executive director of the Company or any of their respective associates in exceed of 0.1% of the total number of shares in issue and have an aggregate value in excess of HK$5 million must be approved by the shareholder of the Company in general meeting with such grantee and his/her/its associates and all core connected persons of the Company abstaining from voting.

The subscription price for the shares payable on the exercise of an option shall be a price determined by the Board and notified to each participant and will be at least the highest of (i) the closing price of the Company's shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Company's shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2020 Share Option Scheme and any other scheme must not exceed 30% of the total number of issued shares from time to time.

No share option was granted, cancelled or exercised or lapsed pursuant to the 2020 Share Option Scheme during the year ended 30 June 2022 and none of the Directors or Chief Executive of the Company or their respective spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations within the meaning of the SFO.

As at 30 June 2022, the total number of shares available for issue under the 2020 Share Option Scheme shall be 124,963,788, representing approximately 5% of the entire issued share capital of the Company, and the Company had no outstanding share options under the 2020 Share Option Scheme.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this annual report, at no time during the year was the Company, or any of its holding companies, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and Chief Executive of the Company (including their spouses and children under 18 years of age) to hold any interest or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation (with the meaning of Part XV of the SFO).

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Laws, subject to the provisions of the statutes, every Director shall be entitled to be indemnified by the Company against all costs, charges losses, expenses and liabilities incurred by him/her in the execution and discharge of his/her duties or in relation thereto. The Directors and Officers Liability Insurance (the "**D&O Insurance**") undertaken by the Company provides such indemnities to all the directors of the Company and its subsidiaries. The relevant provisions in the Bye-Laws and the D&O Insurance were in force during the year ended 30 June 2022 and as of the date of this annual report.

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Notes 3(j) and 10(a) to the Consolidated Financial Statements.

USE OF PROCEEDS FROM THE COMPANY'S PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 19 April 2021, the Company completed of a placing of an aggregate of 1,250,000,000 placing shares at HK$0.08 for each placing share to not less than six placees who and whose ultimate beneficial owner(s) are independent third parties pursuant to the terms and conditions of a placing agreement dated 19 January 2021 (the "**Placing**"). For further details, please refer to the Company's announcements dated 19 January 2021, 20 January 2021, 8 April 2021 and 19 April 2021 and the Company's circular dated 16 March 2021.

The net proceeds raised from the Placing, after deduction of all relevant expenses (including but not limited to placing fees, legal expenses and disbursements, and other expenses incidental to the Placing), were approximately HK$94.7 million (the "**Net Proceeds**"). The Company intends to use the Net Proceeds for (a) financing of the consideration in respect of the acquisition of the land and properties (the "**Land and Properties**") pursuant to a sale and purchase agreement dated 19 January 2021; (b) the refurbishment of the Land and Properties; and (c) the working capital of the Group for daily operations.

As at 30 June 2022, approximately HK$83.7 million of the Net Proceeds had been utilised by the Group and approximately HK$11.0 million remained unutilised. There has been no change in the intended use of Net Proceeds as previously disclosed, and the Group expects to fully utilise the residual amount of the Net Proceeds in accordance with such purposes within a year. The unutilised Net Proceeds were placed with banks in Hong Kong.

The following table sets forth the details of use of the Net Proceeds from the Placing:

Use of the Net Proceeds		Planned	Actual	Unutilised
			HK$'000 (Approximately percentage of the Net Proceeds)	
(A)	Financing of the consideration in respect of the acquisition of the Land and Properties	68,400 (72.2%)	68,400 (72.2%)	– (0.0%)
(B)	Refurbishment of the Land and Properties	11,000 (11.6%)	– (0.0%)	11,000 (11.6%)
(C)	Working capital of the Group for daily operations	15,300 (16.2%)	15,300 (16.2%)	– (0.0%)
	Total	94,700 (100.0%)	83,700 (88.4%)	11,000 (11.6%)

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, at least 25% of the issued shares in the Company were held by the public (i.e. the prescribed public float applicable to the Company under Rule 8.08 of the Listing Rules) during the year ended 30 June 2022 and up to the date of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Save as disclosed in the section headed "Connected Transactions" below, there was no other contract of significance in relation to the Group's business, to which the Company or any of its subsidiaries was a party, subsisting at the end of the year or at any time during the year, and in which the Directors had direct or indirect material interest, nor was there any other contract of significance in relation to the Group's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year ended 30 June 2022, none of the Directors were interested in any business which competed or was likely to compete directly or indirectly with the businesses of the Group.

CONNECTED TRANSACTIONS

Pursuant to Chapter 14A of the Listing Rules, details of the Company's connected transactions during the year ended 30 June 2022 are as follows:

On 29 June 2021, 深圳市冠華水果商城有限公司 (Shenzhen First Class Fruits Company Limited) (the "**Purchaser**"), 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 深圳市金龍建設工程有限公司 (Shenzhen Jinlong Construction Engineering Co., Ltd.*) (the "**Target Company**") entered into an equity transfer agreement (the "**Equity Transfer Agreement**"), pursuant to which the Purchaser had conditionally agreed to acquire and the Vendor had conditionally agreed to sell the entire equity interest of the Target Company at a consideration of RMB2,500,000, subject to adjustment (the "**Acquisition of the Target Company**").

The completion of the Acquisition of the Target Company (the "**Completion**") took place on 21 December 2021 in accordance with the terms and conditions of the Equity Transfer Agreement after transferring the title registration of the 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 the Purchaser as its nominee to acquire the entire interest of the Target Company. Following the Completion, the Target Company became a wholly-owned subsidiary of the Company and the financial results of the Target Company was consolidated into the Group's financial statements.

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 was owned by Mr. Kung Ting Yin and Mr. Kung Ting Keung). Mr. Kung Chun Lung is the father of Mr. Kung Chak Ming ("**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, the Target Company 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 was a connected person of the Company. The Acquisition of the Target Company constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

As all of the applicable percentage ratios in respect of the Acquisition of the Target Company were less than 25% and the consideration was less than HK$10,000,000, the Acquisition of the Target Company constituted a connected transaction of the Company under Chapter 14A of the Listing Rules, and was subject to the notification and announcement requirements but was exempt from Shareholders' approval requirement under the Listing Rules.

* *For identification purposes only*

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

Save as disclosed above, the Group has no connected transactions which are required to be disclosed in accordance with the Listing Rules for the year ended 30 June 2022 (2021: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers for the year ended 30 June 2022 accounted for approximately 82.3% of the Group's total sales and sales to the Group's largest customer amounted to approximately 71.4% thereof.

Purchases from the Group's five largest suppliers for the year ended 30 June 2022 accounted for approximately 75.3% of the Group's total purchases and purchases from the Group's largest supplier amounted to approximately 26.7% thereof.

At any time during the year, none of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in any of the Group's five largest customers or suppliers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 30 June 2022.

COMMUNICATIONS WITH SHAREHOLDERS

The Board attaches great importance to maintaining good relationships with the Company's shareholders. Extensive information about the Company's activities is included in the annual and interim reports, which will be sent to all shareholders. Inside information is released to all shareholders and the market concurrently in accordance with the Listing Rules. The AGM will provide an opportunity for all shareholders to communicate with and to question the Board on any aspect of the Group's activities. All announcements will be posted to the corporate website (www.asian-citrus.com) where information on the Company is regularly updated.

The executives of the Company may meet with institutional investors, fund managers and analysts, as part of an active investor-relations program to discuss long-term issues and receive feedback.

CORPORATE GOVERNANCE

A report on the Company's corporate governance practices is set out on pages 24 to 33 of this annual report.

EMOLUMENT POLICY

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

The Company has set up a remuneration committee and its functions and duties are, amongst other matters, to review and approve the overall remuneration policy of the Group as well as the remuneration packages for Executive Directors and senior management of the Company.

The remuneration policy and package of the Group's employees are structured by reference to market terms in all localities in which the Group operates, for the purpose of recruiting and retaining suitable talents. The Group also provides other employee benefits such as, discretionary bonuses, mandatory provident fund contributions and a share option scheme to the employees.

Details of the Directors' emoluments and individuals with highest emoluments are set out in Notes 12 and 13 to the Consolidated Financial Statements and in the Corporate Governance Report on page of 30 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are provided in Note 37 to the Consolidated Financial Statements.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

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

INDEPENDENT AUDITORS

The Consolidated Financial Statements were audited by HLB Hodgson Impey Cheng Limited which will retire at the forthcoming AGM. A resolution will be proposed at such meeting to re-appoint HLB Hodgson Impey Cheng Limited as independent auditors of the Company and authorise the Board to fix its remuneration.

By order of the Board

Ng Ong Nee
Executive Director

30 September 2022

Ng Hoi Yue
Executive Director

30 September 2022

CORPORATE GOVERNANCE REPORT

The information set out on pages 24 to 33 of this annual report and the information incorporated by reference constitute the Corporate Governance Report of Asian Citrus Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**").

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 Company's board (the "**Board**") of directors (the "**Directors**") 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.

BOARD OF DIRECTORS

The Board meets regularly and the Directors receive information between meetings about the activities of the Group. All Directors have full and timely access to all relevant information of the Group. In addition to the meetings of the Board, the senior management also communicates frequently to review and discuss the daily operation of the Group.

BOARD COMPOSITION

The Board has in its composition a balance of skills and experience necessary for independent decision making and fulfilling its business needs.

As at 30 June 2022, the Board comprised eight members, including two Executive Directors, two Non-executive Directors and four INEDs, as follows:

Executive Directors
Mr. Ng Ong Nee *(Chairman and Chief Executive Director)*
Mr. Ng Hoi Yue *(Deputy Chief Executive Director)*

Non-executive Directors
Mr. James Francis Bittl
Mr. He Xiaohong

Independent Non-executive Directors
Mr. Liu Ruiqiang
Mr. Lai Zheng
Mr. Wang Tianshi
Ms. Liu Jie

Biographical details of the Directors are set out on pages 12 to 13 of this annual report.

Responsibilities of the Board

The Board formulates the long term strategies of the Group and is responsible for leading the Group in the areas of management, research and innovation as well as financial performance. There is a clear division of responsibilities between the Board and management. Decisions delegated by the Board to the management include implementation of the policy and direction determined by the Board, monitoring the business operation, preparation of financial statements, corporate governance and compliance with applicable laws and regulations.

The Bye-laws of the Company (the "**Bye-Laws**") set out the responsibilities and proceedings of the Board. Significant operational policies have to be discussed and approved by the Board. To enable the Directors to meet their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Nomination Policy

The Board has adopted a nomination policy (the "**Nomination Policy**") which set out the selection criteria in assessing the suitability of a proposed candidate as Director and procedures of appointing and re-appointing a Director. In assessing the suitability of a proposed candidate, the Board will consider factors including but not limited to reputation for integrity, accomplishment and experience in the relevant industry, commitment in respect of available time and relevant interest, diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills and knowledge and length of service. Suitable candidate can be nominated by any Director for the Board's consideration. The Board should evaluate the personal profile of the candidate based on the selection criteria as set out in the Nomination Policy and undertake adequate due diligence in respect of each proposed candidate. After comprehensive assessment, the Directors will then make recommendation to the Board for consideration and approval or making recommendation to the shareholders of the Company for approval. The Board will review the Nomination Policy and assess its effectiveness on a regular basis or as required.

Board Diversity Policy

The Board has adopted a board diversity policy as the Company recognises and embraces the benefits of diversity of Board members. It endeavours to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Group's business. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and the legitimate interests of the Company's principal shareholders. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Board Meetings

The Board is scheduled to meet at least four times a year at approximately quarterly intervals with notice given to the Board members at least fourteen days in advance. For additional Board meetings which require discussion and resolution of significant issues arising during the operation of the Company, notice is given at a reasonable time in advance.

Before each Board meeting, a draft agenda is sent out to all Directors at least three days or such other period as agreed in advance in order to allow the Directors to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors three days or such other period as agreed before each Board meeting.

The Company Secretary is responsible for keeping the minutes of all Board meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for the Directors' inspection. Minutes of meetings of the Board and the Board committees record in detail the matters considered and the decisions reached, including any concerns raised by the Directors or dissenting views expressed. According to the Listing Rules, any Directors and their respective close associates (as defined in the Listing Rules) who have a conflict of interest or with a material interest in the transactions to be discussed at the physical Board meetings will abstain from voting on resolutions approving such transactions and will not be counted in the quorum of meetings.

Save as disclosed elsewhere in this annual report, none of the Directors has any relationship including financial, business, family or other material relationship with each other.

All Directors have access to the advice and services of the Company's legal advisors and the Company Secretary who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of his duties.

Attendance of Meetings

During the year ended 30 June 2022, the Board convened a total of 9 Board meetings, 6 Audit Committee meetings and 3 Remuneration Committee meetings. Besides, Directors also attended the 2021 AGM and a special general meeting to understand the views of the shareholders.

		Board Committee Meetings			
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
	(Number of Times of Attendance/Total Number of Meetings)				
Executive Directors:					
Mr. Ng Ong Nee *(Chairman and Chief Executive Officer)*	8/9	N/A	N/A	3/3	0/1
Mr. Ng Hoi Yue *(Deputy Executive Officer)*	9/9	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. James Francis Bittl	4/9	N/A	N/A	N/A	0/1
Mr. He Xiaohong	9/9	N/A	N/A	N/A	0/1
Independent Non-Executive Directors:					
Mr. Liu Ruiqiang[#1]	9/9	6/6	0/0	3/3	0/1
Mr. Lai Zheng[#2]	3/9	0/6	0/0	0/3	N/A
Mr. Wang Tianshi[#3]	3/9	0/6	0/0	N/A	N/A
Ms. Liu Jie[#4]	N/A	N/A	N/A	N/A	N/A
Dr. Lui Ming Wah, PhD, SBS, JP[#5]	4/9	4/6	N/A	1/3	0/1
Mr. Yang Zhen Han[#6]	4/9	4/6	N/A	N/A	0/1

Remarks #1: Mr. Liu Ruiqiang was appointed as a member and the chairman of the Nomination Committee on 29 March 2022.

#2: Mr. Lai Zheng was appointed as an INED, a member of the Audit Committee, the Nomination Committee and the Remuneration Committee on 29 March 2022.

#3: Mr. Wang Tianshi was appointed as an INED, a member of the Audit Committee and the Nomination Committee on 29 March 2022.

#4: Ms. Liu Jie was appointed as an INED on 11 July 2022.

#5: Dr. Lui Ming Wah PhD, SBS, JP retired as an INED effective from the conclusion of the AGM of the Company held on 30 December 2021 and ceased to be a member of the Audit Committee and the Remuneration Committee upon his retirement as an INED.

#6: Mr. Yang Zhen Han retired as an INED effective from the conclusion of the AGM of the Company held on 30 December 2021 and ceased to be a member of the Audit Committee upon his retirement as an INED.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 30 June 2022, Mr. Ng Ong Nee was the Chairman and the Chief Executive Officer of the Company. Mr. Ng Hoi Yue was the Deputy Chief Executive Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the number of INEDs represents more than one-third of the Board. Among the INEDs, at least one has appropriate professional qualification in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The Company has received from each of its INEDs a written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company, based on such confirmations, considers Mr. Liu Ruiqiang, Mr. Lai Zheng, Mr. Wang Tianshi and Ms. Liu Jie are independent.

Each Director has entered into service agreement or letter of appointment with the Company for a term of three years. Under the Bye-Laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting after his/her appointment and be subject to re-election at such meeting by the shareholders. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election. Apart from this, one-third of the directors, including the non-executive directors, for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) are subject to retirement by rotation and re-election at each AGM in accordance with the Bye-Laws and prescribed by the Listing Rules provided that every Director shall be subject to retirement by rotation once every three years.

BOARD COMMITTEES

The Board was responsible for performing the corporate governance functions of the Company. The Board has established three committees, namely the Audit Committee, the Nomination Committee and the Remuneration Committee, with specific responsibilities as set out in their respective terms of reference.

Audit Committee

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 and interim financial statements, and monitoring the accounting, internal control and risk management systems in use throughout the Group for the year ended 30 June 2022.

As at 30 June 2022, the members of the Audit Committee comprised Mr. Liu Ruiqiang, Mr. Lai Zheng and Mr. Wang Tianshi and Mr. Liu Ruiqiang was the chairman of this committee. During the year ended 30 June 2022, the Audit Committee has duly discharged its responsibility.

Nomination Committee

The Nomination Committee was established with written terms of reference on 29 March 2022. The primary responsibilities and duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies, and identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The terms of reference of the Nomination Committee are posted on the Company's website (www.asian-citrus.com) and the website of the Stock Exchange.

As at 30 June 2022, the members of the Nomination Committee comprised Mr. Liu Ruiqiang, Mr. Lai Zheng and Mr. Wang Tianshi and Mr. Liu Ruiqiang was the chairman of this committee. During the year, the Nomination Committee has duly discharge its responsibility.

Remuneration Committee

The Remuneration Committee has adopted the approach under Code Provision B.1.2(c)(i) of the CG Code to determine and review the scale and structure of the Executive Directors' remuneration and terms of their service agreements. It also determines the entitlements of the Directors and the employees of the Group under the share option scheme(s) of the Company.

The Group's remuneration policy provides competitive rewards for its Executive Directors and senior executives. The policy takes into account the Group's performance, the individual performance and the prevailing remuneration packages of the markets in which the Group operates. The Remuneration Committee aims to attract, retain and motivate high-caliber individuals with competitive remuneration packages. The remuneration package provides a balance between fixed and variable rewards. Therefore, remuneration packages for Directors and senior executives normally include basic salary, discretionary bonuses, benefits and share options. Salaries and benefits are reviewed annually and are set to reflect the responsibilities, knowledge, skill and experience of the individuals.

As at 30 June 2022, the members of the Remuneration Committee comprised Mr. Ng Ong Nee, Mr. Liu Ruiqiang and Mr. Lai Zheng and Mr. Liu Ruiqiang was the chairman of this committee. During the year, the Remuneration Committee has duly discharged its responsibility.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure a proper understanding of the Company's operations and business and full awareness of the Director's responsibilities under the statues and common law, the Listing Rules, legal and other regulatory requirements and the Company's business and governance policies.

During the year under review, all Directors were encouraged to attend seminars and provided with written materials to develop and refresh their professional skills and the latest development of applicable laws, rules and regulations for the directors to assist them in discharging their duties as well as commentary on the Group's business, operations and financial matters.

All Directors have confirmed that they have fulfilled the continuous professional development requirement during the year ended 30 June 2022 and have provided records of training received during the year ended 30 June 2022 to the Company.

SERVICE CONTRACTS

All the service contracts entered into with the Directors of the Company have fixed term. None of the Directors has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration for the year ended 30 June 2022 of the members of the senior management (other than the Directors of the Company) whose particulars are contained in the section headed "Director and Senior Management Profile" in this annual report by band is set out as below:

Remuneration band	Number of individuals
Less than RMB1 million	1

SHARE OPTION SCHEME

Details of the share option scheme are shown on pages 18 to 19 of this annual report.

INDEPENDENT AUDITORS' REMUNERATION

For the year ended 30 June 2022, the remuneration in respect of audit services and non-audit services provided by the independent auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to approximately RMB1,365,000 and RMB0 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 30 June 2022, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors must keep proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Group and the Company. The Directors must ensure that the financial statements comply with applicable laws and follow the International Financial Reporting Standards.

The auditors' statement about its reporting responsibilities on the consolidated financial statements is included in the Independent Auditors' Report set out on pages 59 to 62 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board believes that maintaining adequate internal control and risk management systems are vital to the Group so that the Group's business decision and operation can be implemented effectively to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. The Board takes overall responsibility for ensuing the establishment of appropriate and effective internal control and risk management systems of the Group.

In view of the size of the corporate structure of the Company and the nature of operations of the Group, the Board believes that it is cost effective to appoint external professional to carry out the internal audit function for the Group. The Group engaged an independent professional accounting firm to perform the internal audit function of the Group bi-annually. Such independent professional accounting firm would prepare and submit an internal audit report to the Audit Committee accordingly.

An annual internal control review was carried out by an independent professional accounting firm engaged by the Company covering the assessment of the financial and non-financial risks. It reviewed the policies, procedures and controls in place for the listed holding company and major operating subsidiaries, in the following areas: (i) compliance of corporate governance code; (ii) revenue cycle; (iii) purchase and expenses cycles; (iv) treasury operations; (v) inventory control; and (vi) cash management. The reviewer interviewed the key personnel involved in the daily operations. The reviewer also assessed the design, adequacy and execution of control to determine the operating effectiveness and identified the weaknesses of the existing control system and then communicated with the management of the Company in respect of the findings and recommendations by submitting an internal control report (the "**Internal Control Report**"). Thereafter, the management of the Company considered the adoption and implementation of suitable procedures to enhance the internal control and risk management systems.

Based on the Internal Control Report, the Audit Committee had conducted annual review on the effectiveness of the Group's internal control and risk management systems for the year ended 30 June 2022 and considered the internal control and risk management systems were effective and adequate.

Furthermore, the Board has formulated internal procedures and controls for handling and dissemination of inside information to ensure that the Company's information is disclosed to the public on a true, accurate and timely basis. The Group ensures the inside information is kept strictly confidential before it is fully disclosed to the public.

CORPORATE STRATEGY

The principal objective of the Company is to enhance long-term growth for its shareholders. To achieve this objective, the Group focuses on achieving recurring and sustainable earnings without compromising the Group's financial strength and stability. The Group endeavours to generate return to shareholders through (a) optimizing the cost control and productivity management; and (b) exercising prudent and disciplined financial management. The Chairman's Statement contained in this annual report includes discussion and summary of the Group's performance, the basis on which the Group generates and preserves value in the longer term and delivers the Group's objectives.

CULTURE

The Board believes that a well-developed corporate culture is vital to maintaining a long-term business. Therefore, the Group is committed to developing an all-rounded decent culture in the Group.

Our corporate culture values high degree of integrity, collaboration, innovation, growth, communication, understanding, excellent management and moral conduct. A culture of openness and discussion are promoted throughout the Group, the Directors, employees and shareholders are encouraged to express their views and concerns through different means of communication. The Company and its team members believe that these deeply held values are the key to drive service excellence for clients and win mutual trust with business partners. This culture allows us to attract and retain the high calibre employees and clients and, ultimately, creates value for shareholders.

Further, acting ethically is an integral part of our culture. With a framework of controls and policies, we have built our success on a set of governance practices. We have Anti-Corruption Policy and Whistleblowing Policy to provide guidance to our employees in compliance with anti-corruption laws and regulations especially when dealing with gifts and hospitality.

In addition, our whistleblowing channels empower our employees and stakeholders to play an active role in protecting our business. They can seek guidance and report misconduct anonymously to the Company. All reports are handled with care and fairness to ensure that whistleblowers are protected against unfair dismissal, victimisation and unwarranted disciplinary actions.

The Group regularly reviews our business practices to ensure compliance obligations. During the reporting year, there were no non-compliance cases regarding the aspects mentioned above.

COMPANY SECRETARY

The Company Secretary of the Company is responsible for facilitating the Board, as well as communications among the Board members, with shareholders and management. Miss Ng Ling Ling is the Company Secretary and she has fulfilled professional training requirement for the year ended 30 June 2022.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

SHAREHOLDERS' RIGHTS

According to the Bye-Laws, shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times has/have the right, by written requisition sent to the Board or Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

Shareholder(s) of the Company holding (i) not less than one-twentieth of the total voting rights of all shareholders having the right to vote at the general meeting; or (ii) not less than 100 shareholders, can submit a written request to the Company Secretary of the Company stating the resolution intended to be moved at the general meeting or a statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at a particular general meeting.

As regards proposing a person for election as a director, the procedures are available on the websites of the Company.

The above procedures are subject to the Bye-Laws, the Bermuda Companies Act 1981 and applicable legislation and regulation (as amended from time to time). Shareholders who have enquiries about the above procedures or have enquiries to be put to the Board or have proposals to be put forward at general meetings may write to the Company Secretary at the principal place of business of the Company in Hong Kong at 1/F., Ching Cheong Industrial Building, 1-7 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

SHAREHOLDERS COMMUNICATION POLICY

Transparency is vital to good corporate governance. The Board has formulated the Shareholders Communication Policy to provide shareholders with information about the Company, allowing them to engage with the Company and obtain information about the Company for exercising their rights as shareholders. The Shareholders Communication Policy is posted on the Company's website and is reviewed regularly to ensure its effectiveness. The Company adopts various communication channels, including press releases, announcements, circulars and interim and annual reports, to convey messages to the shareholders. Interim and annual reports, notices of general meetings, announcements and circulars in English and Chinese are posted on the Company's website (www.asian-citrus.com) and the website of the Stock Exchange. They are also delivered to shareholders according to the respective timelines stipulated by the Listing Rules.

WHISTLEBLOWING POLICY

The Company has a whistleblowing policy to encourage employees and related third parties (such as customers and suppliers) who deal with the Group to raise concerns in confidence about misconduct, malpractice or irregularity in any matters related to the Group. The whistleblowing policy is posted on the Company's website.

The whistleblowing policy is to deal with concerns related to fraudulent or unethical acts or instances of non-compliance with the law or with the Group's policies that have or could have a significant adverse financial, legal or reputational impact on the Group. The Group will respond to all such concerns expressed fairly and properly. The Company's whistleblowing policy and procedures apply to employees at all levels as well as business partners and any third parties who deal with the Group.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents during the year.

OVERVIEW

(I) Purpose and Reporting Period

This is the sixth Environmental, Social and Governance Report ("**ESG Report**") by Asian Citrus Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), reviewing and disclosing the Group's environmental, social and governance ("**ESG**") issues, its performances and challenges in accordance with the requirements of the Appendix 27 – Environmental, Social and Governance Reporting Guide of the Listing Rules ("**ESG Reporting Guide**") to define the report content, for the period from 1 July 2021 to 30 June 2022 (the "**Reporting Period**" or "**2021/22**"), and in many material areas being compared with the last reporting period from 1 July 2020 to 30 June 2021 (the "**Last Reporting Period**" or "**2020/21**"). The ESG Report will be used for internal assessment and management control, and communicating to the internal and external stakeholders.

(II) Scope of Report

The principal businesses of the Group include the fruits plantation operation (the "**Plantation Business**") in Hepu County, Guangxi Zhuang Autonomous Region, the People's Republic of China (the "**PRC**") (the "**Hepu Plantation**") and the fruit distribution operation via the fruit distribution channels of the Group (the "**Fruit Distribution Business**") in Shenzhen, the PRC.

Besides, the Group has acquired the entire equity interest of 深圳市金龍建設工程有限公司 (Shenzhen Jinlong Construction Engineering Company Limited*) ("**Shenzhen Jinlong**"), which is principally engaged in the distribution and installation of air-conditioners in the PRC (the "**Air-conditioners Distribution Business**") during the Reporting Period (the "**Acquisition**"). The Acquisition represents a valuable step to diversify the Group's business portfolio which enables the Group to increase revenue in order to enhance long-term profitability and sustainability through investment in new business opportunities.

This report covers the operations and activities of the Group's head office in Hong Kong Special Administrative Region ("**Hong Kong**") (the "**Hong Kong Office**"), the Hepu Plantation in Hepu County, the Fruit Distribution Business and the Air-conditioners Distribution Business in Shenzhen, the PRC (the "**PRC Offices**").

(III) Basis of Preparation

This report was compiled in accordance with the ESG Reporting Guide. The content of this report includes two main subject areas as outlined and required by the ESG Reporting Guide, being Area A – Environmental and Area B – Social, and includes disclosure of climate change related issues which have or may impact the Group.

This ESG Report, which was reviewed and approved by the board of directors of the Company (the "**Board**"), both reviews and reports the core business operations and activities of the Group and follows the principles of materiality, quantitative, balance and consistency to disclose relevant statistics and information.

* *For identification purposes only*

(IV) Corporate Mission and Vision and ESG Objectives

The Group continues its primary mission to grow and sell quality, fresh and safe citrus fruit primarily oranges at an affordable price to consumers. Furthermore, our vision maintains to be one of the main and reputable citrus fruit growers in the PRC to grow high quality, fresh and safe citrus fruit, primarily oranges and to operate the business in a socially responsible manner.

As the challenges arising from the COVID-19 pandemic are unprecedented, precautionary measures have taken to mitigate any possible impact of economic downturn faced by the Group. For example, the Group has started plantation of passion fruits at a trial scale with an intention to diversify its fruit species provision. The Group has planted approximately 43,300 passion fruit trees since February 2022. For the Reporting Period, the Group has approximately 351,000 fruit trees.

Moreover, the acquisition of Shenzhen Jinlong has generated its revenue stream of Air-conditioners Distribution Business. The Group will continue to explore new business opportunities with a view to generating revenue to the Group and creating returns to the shareholders of the Company.

Regarding the ESG objectives, the Group continues its practices and aims to provide reasonable returns on investments for the shareholders, business partners and investors, to achieve sustainable development through eco-friendly-cooperative plantation operation for the society and environment, and to maintain a healthy and safe working environment for the employees.

(V) ESG Strategies and Management

The Group continues to attach significant considerations in the ESG areas and aspects listed in the ESG Reporting Guide when formulating and implementing its corporate goals and business objectives. The Group is committed to conducting its business in a transparent, equitable, legal and socially responsible manner. Moreover, it continues to care about the impact of its daily operation on the environment, local residents and communities, and to make efforts to meet and maximise the interests of all stakeholders, economy, environment, society and corporate governance on a fine and fair balance.

Throughout the Reporting Period, the Group maintained the same ESG management structure and process as the Last Reporting Period. The Board, headed by the chairman, is responsible for the formulation and approval of the Group's development, business strategies, policies, annual budget and business plans of the Plantation Business, Fruit Distribution Business and Air-conditioners Distribution Business. On day-to-day management, the regional and departmental managers implement the overall strategies and initiatives adopted by the Board on operations, financial, environmental and social issues and obligations. The Group's chairman and Chief Executive Officer ("**CEO**") and/or other management (the "**Management Team**") will examine and address all the environmental and social issues spelt out in the "Aspects and Subject Areas" in the ESG Reporting Guide. The Management Team is responsible for the following duties in relation to ESG issues:

- Implementing the approved ESG policies, rules and regulations;
- Collecting, compiling and formulating data and statistics on ESG related issues and Key Performance Indicators ("**KPIs**"); and
- Reviewing and monitoring especially on the legal and social compliance of the ESG related issues on a regular basis.

Upon receiving regular or ad hoc updates and reports on ESG activities and related issues from the regional and departmental managers, the Management Team will evaluate the overall positions, draft the appropriate action plans, prepare and submit reports and recommendations to the Board for approval and thereafter for implementation.

The Group fully understands that changes in business operations, structures, technologies, laws and regulations, and the environment may drive changes to our ESG policies and practices. As such, the Group continues to invest adequate resources to monitor ESG issues, policies, practices and performances on an on-going basis. In order to contribute to the sustainable development on the environment and society, whilst maximizing the benefits to our employees and the stakeholders, the Group has continued to exercise due responsibility in maintaining the highest level of ethical standards on conducting its business and upheld strict compliance with all relevant laws, rules and regulations in all ESG matters.

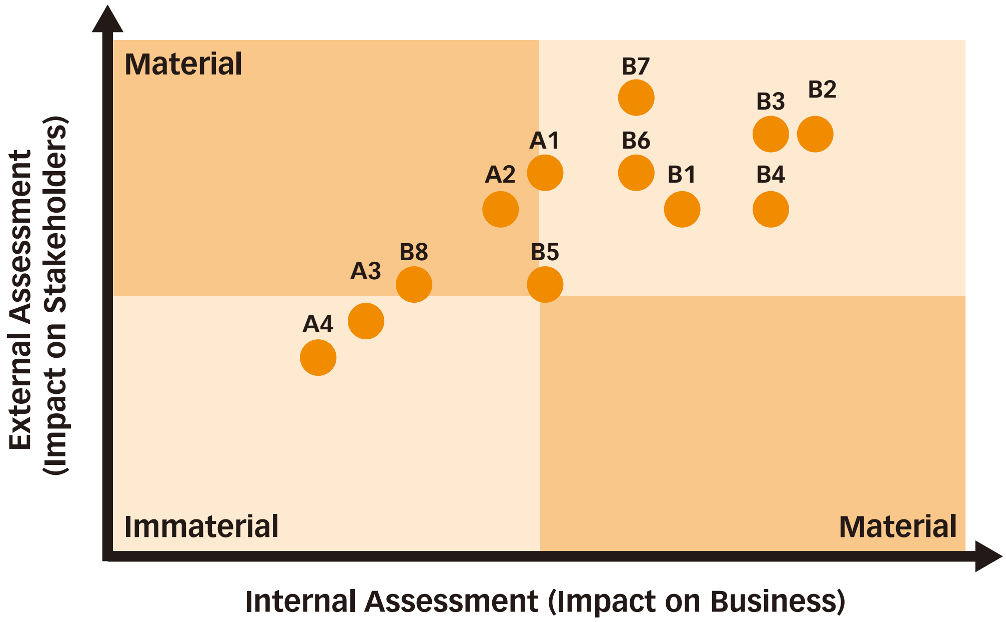
For the purpose of the ESG Report, only activities and operations which are considered material and significant to the environment are included. Overall, the Group takes on an active role in ensuring sustainable and environmentally friendly operating processes are in place. This is achieved by taking all practicable and possible measures to comply with all the relevant national laws, operating practices and standards.

(VI) Stakeholders Communications and Materiality

In managing the priorities, the Group continues to ensure its corporate, plantation operation, fruit distribution operation and air-conditioners distribution operation are in compliance with its environmental and social responsibilities and obligations as required by the ESG Reporting Guide and the laws and related regulations of Hong Kong and the PRC, and the specific guides of the organic fruit plantation industry. The Group also continues to take into account of the opinions and views of its stakeholders including shareholders, investors, employees, customers, suppliers, service providers, professional advisors, Non-Governmental Organization ("**NGO**") partners and industry associations, and strives to address their concerns. The Group continues to assign a board member and duty managers to constantly communicate with its stakeholders under the following established channels in order to gain insights on ESG material aspects in the Reporting Period.

Stakeholders	**Communication Channels**
Shareholders/Investors	• General meetings • Information published on websites of the Company and The Stock Exchange of Hong Kong Limited • Direct emails or phone enquiries • Dispatched documents
Employees	• Direct meetings with the management executives • Emails • Annual and regular appraisal • Organized functions and activities for the employees
Customers	• Day-to-day communication through front line staff • Emails • Official websites
Suppliers/service providers/professional advisors	• Day-to-day communication through front line staff • Regular review of the signed arrangements by the management
NGO partners	• Volunteer activities • Sponsors and donations

After collecting the views and opinions, the Management Team will carry out materiality assessments internally with the related managers and externally with related stakeholders through various means of communication, such as liaison groups, panel discussions, workshops, on-site visits, company websites, emails and direct enquiry phones, etc. For 2021/22, the Group and the stakeholders have identified the following material areas and aspects:



A1. Air Emissions, Polluted Water and Waste Discharge Aspect
A2. Use of Resources Aspect
A3. Environment and Natural Resources Aspect
A4. Climate Change Aspect
B1. Employment Aspect
B2. Health and Safety Aspect
B3. Development and Training Aspect
B4. Labour Standards Aspect
B5. Supply Chain Management Aspect
B6. Products Responsibility Aspect
B7. Anti-Corruption Aspect
B8. Community Investment Aspect

The ESG issues and performances, especially on the above material areas, aspects and related KPIs during the Reporting Period, continued to be monitored and managed through the Group's approved management structure and process. The Group allocated adequate resources to implement the approved strategies, policies and measures to guarantee fulfilment of its environmental and social obligations and responsibilities especially on the above material areas and aspects during the Reporting Period.

MATERIAL AREAS AND ASPECTS AND THEIR PERFORMANCE

(A) ENVIRONMENTAL AREAS AND ASPECTS

1.1 Environmental Areas Overview and Policies

As an environmentally responsible corporation, the Group's main environmental target has always been aiming at building a "Green Environment" and has continued to implement policies and has taken measures to achieve a balance between undertaking business, maximise returns to our shareholders, ensuring our operations and activities minimise any adverse impact on the environment including being energy, water and resource usage efficient whilst also reducing costs where possible.

Our "Environmental Protection and Sustainability Policy and Procedures" are summarised below:

Purpose

To establish and maintain policies and procedures to identify, evaluate and determine the significance of environmental aspects and impacts by and on the company and ensuring compliance with all relevant national and local environmental laws and regulations including but not limited to:

- Environmental Protection Law of the PRC (中華人民共和國環境保護法);
- Environmental Impact Assessment Law of the PRC (中華人民共和國環境影響評價法);
- Water Pollution and Control Law of the PRC (中華人民共和國水污染防治法);
- Atmospheric Pollution and Control Law of the PRC (中華人民共和國大氣污染防治法);
- Prevention and Control of Pollution from Environmental Noise Law of the PRC (中華人民共和國環境噪聲污染防治法);
- Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC (中華人民共和國固體廢物污染環境防治法); and
- Regulations on the Administration of Construction Project Environmental Protection (建設項目環境保護管理條例).

Procedure

(i) The Board and the Management Team shall identify and evaluate the environmental aspects for all work activities that are most likely to give rise to significant environmental impacts.

(ii) The Board and the Management Team shall brainstorm internally and externally with other related parties and classify all the relevant work activities under normal, unusual and emergency situation as follows:

  - Normal is defined as a routine activity or work that is carried out daily and is part of a process;
  - Unusual refers to non-routine work that occurs under unexpected circumstances; and
  - Emergency refers to an occurrence of an event that will cause a drastic impact or severity to the environment and immediate action must be taken. For example: major leakage and spillage, fire, etc.

(iii) When identifying the environmental aspects, all activities that are likely to cause environmental impact or improve general sustainability are considered, including but not limited to the following:

- Gas emissions;
- Water discharge;
- Waste disposal;
- Land contamination;
- Sustainability and the efficient use of raw materials, energy, water and other natural resources;
- Other local environmental issues; and
- National and local laws and regulations.

(iv) At least once every year, the Board and the Management Team shall review the environmental aspects, which will be regularly update based on new laws and regulations, organisational work activities and processes, and updated knowledge obtained through incidents/accidents, organisational or other requirements.

(v) For each environmental aspect, the Management Team shall identify and assess the environmental impacts, and the following shall be considered:

- Global warming;
- Water pollution;
- Air pollution;
- Waste generation;
- Land/soil contamination;
- Noise and light pollution; and
- Depletion of natural resources.

Given the large area of our plantation farm and the nature of plantation works and activities, the Group uses petrol and electricity for its machines; water and fertilisers to nurture and grow the plants; and packaging materials and paper carton boxes to pack the products. As a result, our plantation operation and activities does generate emissions, wastes and discharge, whilst our fruit and air-conditioners distribution operations and activities are mostly in-office nature and does not impact the environment negatively. However, as an environment responsible corporation, the Group insists on its responsibilities and commitments to the environmentally sustainable development with its on-going operations and activities to grow "Green Fruit" under "Green Environment" practices. The Group's operations and activities are well recognised in the PRC and complies with the requirements under the PRC laws and the specific guides for fruit plantation. Overall, the Group abides by all the local environmental laws and regulations and is committed to environmental protection, pollution prevention and minimization. We have implemented policies and taken measures to ensure our operations and activities prevent pollution and have a minimal adverse impact on the environment, and to be energy, water and other resources usage efficient. The Group has also continued its work on raising environmental awareness among our employees and business partners on protecting the environment.

During the Reporting Period, the Group, same as the Last Reporting Period, did not receive any violation or warning notices or complaints from any government environmental agencies and local communities.

1.2 Environmental Aspects

A1. Air Emissions, Polluted Water and Waste Discharge Aspect

During the Reporting Period, the types of emissions, wastes and discharge from the Group's operations and activities were mainly air pollutants including nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**") and particulate matter ("**PM**") as well as greenhouse gases ("**GHG**") such as carbon dioxide ("**CO_2**"), methane ("**CH_4**") and nitrous oxide ("**N_2O**") (collectively, "**CO_2e**") emissions directly generated from fuel usage and indirectly generated from electricity consumption, and non-hazardous packaging wastes such as used papers and packaging materials, office residuals, general rubbish and hygiene wastes.

(i) Direct and Indirect Hazardous and Non-hazardous Air Emissions

During the Reporting Period, the Group's air pollutants and air emissions were directly generated from combustion of petrol. The GHG mainly refers to the non-hazardous gas of CO_2e, which is an indirect emission of electricity consumption.

While in the plantation fields, apart from CO_2e emissions, direct GHG emissions from the mobile combustion sources namely our tractors, weed-mowing machines and generators for water pumping, and resulting in the hazardous air pollutants of NO_x, SO_x and PM emissions.

The table below recorded and compared the Reporting Period and the Last Reporting Period's resultant air pollutant emissions and direct and indirect air emissions from the usage of petrol during the business process of plantation and the use of electricity by the Hepu Plantation, the PRC Offices and the Hong Kong Office.

Direct and Indirect Emissions Record

Items of emissions	Unit	Year ended 30 June 2022 Quantities	 2021 Quantities	Changes
1. SO_x direct emission	Kilograms	**0.63**	0.71	–11.27%
2. NO_x direct emission	Kilograms	**866.14**	971.29	–10.83%
3. PM direct emission	Kilograms	**40.17**	45.04	–10.81%
4. CO_2e direct emission	Tonnes	**114.11**	130.28	–12.41%
5. CO_2e indirect emission				
– Hepu Plantation	Tonnes	**137.30**	136.63	+0.49%
– PRC Offices	Tonnes	**6.70**	1.50	+346.67%
– Hong Kong Office	Tonnes	**8.15**(1)	69.13	–88.21%

Note 1: Including emissions during the period from 1 July 2021 to 31 August 2021.

Same as the Last Reporting Period, the air pollutants such as SO_x, NO_x and PM have been generated from vehicle fuel consumption for daily operations of Hepu Plantation. For the Reporting Period, the fuel consumption has decreased due to the raised awareness of environmental protection.

Given that one of the PRC Offices has relocated to a more spacious office from approximately 90 square metre to approximately 250 square metre since July 2021, the electricity consumption has therefore increased significantly leading to an increase of CO_2 indirect emission by about 346.67% accordingly.

Given that the location of the Hong Kong Office has been re-arranged since August 2021, the water and electricity consumption fees under the new arrangement is included in the office accommodation charges, therefore no water and electricity consumption data of the Hong Kong Office is compiled for the Reporting Period since August 2021. As such, the recorded electricity consumption has significantly decreased and therefore the CO_2 indirect emission has decreased by approximately 88.21%.

As aforementioned, in order to save costs and minimize emissions of air pollutants and CO_2e, the Group already implemented measures to train, guide and supervise the employees to use energy and fuel smartly, and to invest in energy and fuel saving technology especially in the Hepu Plantation such as to reduce the use of air-conditioning by building high ceiling and double-layered brick wall offices, and the installation of solar power. In the coming year, the Group targets to reduce air pollutants and CO_2e emissions within 1% – 3% in the Hepu Plantation and zero growth in the Hong Kong Office and the PRC Offices on the basis of similar operating conditions.

GHG removals from planted trees

As the primary activity of the Group's plantation operation is to grow fruit trees, which established for CO_2 removal through the process of photosynthesis. There were a net additional of 9,840 trees planted during the Reporting Period. These trees could potentially absorb 226,320 kgs of CO_2 in the planted community outside the organisational boundaries during the Reporting Period. The GHG removals from the planted trees by the Group have net off the total actual air emissions including air pollutants and direct and indirect GHG emissions.

(ii) Polluted Water Discharge

During the Reporting Period, same as the Last Reporting Period, the Group's polluted water were mainly from employees' daily hygiene needs in the Hong Kong Office, the PRC Offices and the Hepu Plantation, which were sourced and discharged through the offices centralized water supply and discharge network respectively, and is considered insignificant. Moreover, the plantation field generated an insignificant amount of polluted water.

(iii) Hazardous and Non-hazardous Waste and Organic Waste Discharge

During the Reporting Period, the Group's hazardous and non-hazardous waste and organic waste were same as the Last Reporting Period as the Group's operations and activities were similar.

The operation and activities of the Group did not generate much hazardous wastes. Used batteries, printing cartridges, and used lubricant oil for machine were the main hazardous wastes generated. The volume was insignificant. The used batteries and printing cartridges were collected by special collectors, and the Group trained its mechanics to properly collect and dispose of the used machine lubricant oil.

For non-hazardous wastes from our plantation operation, they were mainly plastic bags, containers from the use of fertilisers and pesticides, and packaging scraps for our citrus fruits. While in our offices, only small quantities of paper waste were generated. For the plastic bags and containers generated, they were collected by licensed collection operators for recycling sales. For paper waste, we already introduced measures to reduce its usage, such as encouraging staff to use electronic messaging to replace paper writing and to print on both sides of papers.

As the total amount of these non-hazardous and hazardous wastes was not substantial and was cleared nearly on a daily basis, the Group therefore did not regard them as material. However, the Group did introduce measures to encourage its employees to reduce the generation of non-hazardous and hazardous wastes.

For organic waste, while weeds are competing for nutrients with our fruit trees, the Group has not used weed-killing chemical agents as they are harmful to its soils. As reported for Last Reporting Period, the Group has invested on specialized weed-mowing equipment and employed workers to control the growth of weeds properly, regularly and continuously. In the plantation fields, large amounts of cut-weeds, leaves and tree branches have regularly been generated, and have been collected, crushed and decomposed as natural fertilisers for its plants to produce "organic fruit".

For the coming year, the Group has not set a target on how much hazardous, non-hazardous and organic wastes to be reduced, but it will monitor and encourage employees to reduce their generation as much as possible.

(iv) Noise and Light Emissions

During the Reporting Period, same as the Last Reporting Period, the Group's operations and activities did not generate any noises and light emissions. Since its plantation farm is far away from residents, the operation of its tractors, lawn-movers and other equipment will not cause any disturbing noise, light or inconveniences to others.

(v) Mitigation Measures

As a responsible corporation, we are conscious of the effects our operations and activities may have on the environment and constantly work on maximizing energy efficiency and minimizing emissions, wastes generation, disposal and discharges. We fully comply with all applicable environmental laws, rules and regulations and industrial standards in the markets we operate in.

In order to save costs and to minimize environmental impacts from air emissions generated from electricity and fuel consumption, the Group took active measures to reduce energy consumption, including electricity, diesel and gasoline. All employees were constantly reminded to smartly use electricity, water and fuel. Supervising officers were assigned the duty of inspecting offices and plantation fields to turn off unused equipment and water taps when not in use, and to ensure the proper use of equipment.

Furthermore, we target to reduce our electricity consumption, and have introduced measures to achieve it. For example, we have instructed our staff and workers to turn off electricity when our factory and office equipment are not in use, to use natural ventilation to replace air-conditioning in allowable conditions, and not to set all air-conditioners' temperature setting to lower than 25°C under normal conditions.

During the Reporting Period, the Group did not have any violation related to hazardous or non-hazardous air emissions and wastes disposal, polluted water discharges. We are determined to take all necessary measures to achieve the same results for the coming years.

A2. Use of Resources Aspect

As aforementioned, the core business operation of the Group – planting, cultivation and sale of agricultural produce and distribution of fruits, namely oranges, remains unchanged for the Reporting Period. Energy consumption of electricity and fuel and fresh water consumption are the major use of resources. The Group advocates our determination in promoting and achieving efficient use of energy and water. We did not see any significant impact or material significance to the environment.

(i) Energy (electricity and fuel)

Electricity is for offices and general equipment usage; while petrol is used mostly for the equipment such as tractors, weed-mowing machine, water-pump generators, cargo vans, etc. The usage of electricity and petrol for the growing of fruit trees and administrative purposes for the Hepu Plantation, the PRC Offices and the Hong Kong Office are summarised in the table below:

		Year ended 30 June		
Item	Unit	**2022**	2021	Changes
Electricity Consumption				
– Hepu Plantation	kWh	**170,729**	169,900	+0.49%
– PRC Offices	kWh	**8,332**	1,865	+346.76%
– Hong Kong Office	kWh	**20,904**[(1)]	106,358	–80.35%
Intensity				
– kWh/employee in Hepu Plantation	Tonnes	**22.88**	19.52	+17.21%
– kWh/employee in PRC Offices	Tonnes	**0.21**	0.14	+50.00%
– kWh/employee in Hong Kong Office	Tonnes	**0.91**[(1)]	6.28	–85.51%
Fuel Consumption in Hepu Plantation	Litres	**42,921**	48,132	–10.83%
	kWh	**415,962**	466,460	–10.83%

Note 1: Including emissions during the period from 1 July 2021 to 31 August 2021.

During the Reporting Period, the electricity consumption in the Hepu Plantation was similar to the Last Reporting Period while the recorded consumption of the Hong Kong Office decreased by approximately 80.35% as the electricity consumption recorded for the Reporting Period only includes electricity consumption up to 31 August 2021 (i.e. prior to office re-arrangement). Subsequent to the re-arrangement, such consumption is included in the office accommodation charges and separate data is unavailable for analysis.

As aforementioned, one of the PRC Offices has relocated to a more spacious office which is more than three times than the previous office leading to the increase of electricity consumption by approximately 346.76%.

To avoid unnecessary consumption of electricity, the employees have been trained to turn off all electrical appliances, air-conditioners, and lights in a timely manner and after work and advocate the use of natural ventilation.

On fuel consumption in the Hepu Plantation, the Group has used petrol during the Reporting Period which was the direct result of more efficiently use of the machines under close supervision. The Group will continue to assign responsible officers to supervise and guide employees to smartly and effectively use electricity, its equipment and vehicles.

For the coming year, the Group targets a saving of 1% – 3% electricity consumption and zero growth on petrol consumption for the offices and the Hepu Plantation on the basis of similar operating conditions.

(ii) Water

Item	Unit	Year ended 30 June 2022	2021	Changes
Water Consumption				
– Hepu Plantation	m^3	**44,100**	41,182	+7.09%
– PRC Offices	m^3	**212**	N/A	N/A
– Hong Kong Office	m^3	**32**(1)	231	–86.15%
Intensity				
– m^3/employee in Hepu Plantation		**7,350**	5,883	+24.94%
– m^3/employee in PRC Offices		**19**	N/A	N/A
– m^3/employee in Hong Kong Office		**4**(1)	21	–80.95%

Note 1: Including emissions during the period from 1 July 2021 to 31 August 2021.

The Hepu Plantation has no problem in sourcing fresh water supply for watering fruit trees and cleaning oranges, the Group has the approval to drill its own wells to source ground-water, and at the same time has built surface reservoirs and ponds to conserve and store surface running water to supplement its water supplies.

Our offices continued to use an insignificant amount of fresh water, supplied from the cities' central water supply network through the offices waterway system for staff general daily hygiene needs. Due to continuous COVID-19 pandemic and the addition of operation of the Air-conditioners Distribution Business, there was a slight increase in their general hygiene needs. As such, the water consumption of the Hepu Plantation was approximately 7.09% higher than the Last Reporting Period. While the water consumption of the Hong Kong Office decreased by approximately 86.15% as the consumption is included in the office accommodation charges since re-arrangement of location. The Group has continuously reminded its employees to save water and use water smartly and responsibly.

For the coming year, on a basis of similar operating conditions, the Group targets a 1% – 3% decrease in fresh water consumption in the Hepu Plantation. A similar target is also set for the Hong Kong Office and the PRC Offices through encouragement of employees to act prudently and responsibly.

(iii) Packaging Materials and Papers

For the Reporting Period, they were mainly used for packaging fruits for sales, office filing and document printing. To support a green environment, the Group used mostly recycled carton boxes and papers. Although the Group's activities and operations do not consume significant amounts of papers and packaging materials, to save operational costs and to improve its environmentally friendly footprint, the Group has continued to implement following measures, requested the employees to cooperate and reduce paper and packaging materials consumption:

- Applying computer technology such as storage of documents in electronic version, communications via emails and messages to replace paper consumption;
- Reusing stationery such as envelopes, document folders, etc.; and
- Using both sides and recycled papers for printing.

(iv) Fertilisers and Pesticides

The Group uses both natural, organic and chemical fertilisers to nurture the fruit trees and pesticides to protect the fruit trees. During the Reporting Period, the Group consumed a total of 2,523,809 kilograms fertilisers, out of which 2,235,980 kilograms was organic and 287,829 kilograms was inorganic fertilisers. The total amount of fertilisers used was approximately 273.94% more than the Last Reporting Period. For pesticides, 40,760 kilograms were used for the Reporting Period, which was approximately 59.69% less than the Last Reporting Period. The Group has planted more new fruit trees and removed old fruit trees which have less productivity. As such, more organic fertilisers were used for the newly planted trees during the Reporting Period. Furthermore, to be more environmentally friendly, organic fertilisers have been used to replace chemical fertilisers, less pesticides have been used for the Reporting Period. In any event, it is the continuous policy and strategy of the Group to use natural and organic fertilisers as much as possible, which will safeguard the soil texture for the future.

A3. Environment and Natural Resources Aspect

As reviewed above and reported in last few years of ESG reporting, the Group's core operations and activities mainly uses electricity, petrol, water, papers and land, which will have impacts on the environment if they are not properly managed. The Group has therefore exercised due care on setting up its management structure and process, rules and regulations to ensure that natural resources are correctly, and efficiently used without wastage and destruction. As a result, the Group only generated an acceptable and reasonable amount of direct and indirect greenhouse gas emissions and non-hazardous waste discharges. For water, apart from natural rainfall, which is one of the main source of supply, the Group has the approval to drill its own wells to source ground-water, and at the same time has built surface reservoirs and ponds to conserve and store surface running water to supplement its water supplies. For land and soil, as its plantation fields are located in a tropical belt, heavy rainfall will erode and leach the topsoil if not properly conserved. The Group plants its fruit trees scientifically and carefully to ensure proper conservation of the top-soil and the unused hillside slopes. As a respect and tribute to the natural environment, the Group has committed to cultivating and maintaining the field's landscape.

In short, the Group has taken a total responsible approach to implement policies and measures on energy and raw materials consumption, to handle air emissions, polluted water and waste discharges, and to ensure water supplies and usage, and proper use of the land. The Group has not been subjected to any warnings, fines or violation notices, and has been in compliance with applicable environmental protection laws and regulations in all material aspects since the first ESG reporting.

As a continuous guiding principle and policy, it is not just for cost savings, but also for preserving the natural resources for the future, the Group has constantly reviewed ways and means to accomplish further resource savings and protection. The Group has tried to conserve and store surface running water for further use, to use solar energy and to build energy saving offices. The Group has also constantly updated and upgraded its operation procedures and processes with the aim to achieve a higher standard in energy saving and emission reduction, and the use of water and land, and remind, educate, and encourage employees on the importance of environmental protection and to act in an eco-friendly manner in work and daily life.

A4. Climate Change Aspect

In consideration of the Group's operations and activities, and the current global environmental conditions, and after collecting the views and opinions of the stakeholders, the Board identified and resolved that (i) global warming caused by direct and indirect CO_2e emissions, (ii) conservation of fresh water and (iii) preservation of soil are the most important climatic issues that the Group has impacted the physical environment. These climatic issues not only affect the operation costs of the Group but also the climatic and physical environmental conditions.

(i) Energy

Global warming is directly and indirectly the result of uses of fossil fuels for electricity and transportation. During the Reporting Period, the Group's operations and activities directly and indirectly generated CO_2e emissions through the use of electricity and petrol, though the amount was not substantial. We have implemented policies and measures, explained above, trying to reduce electricity and petrol consumption for the primary purpose to reduce CO_2e emissions. Fortunately, the main activity of the Group is to grow fruit trees, which through the natural process of photosynthesis to absolve CO_2 and produce oxygen, contributing positively to address global warming.

(ii) Fresh Water

The most precious natural resources of the world, is most urgently needed to conserve nowadays. With regard to the Group's business operation and activities, the offices' water consumption is normal and insignificant, but the plantation operation requires a substantial amount of fresh water. To fulfil our corporate objective in conserving fresh water and to save costs, the Group has already built water recycling and reusing system, specialized drainage, spraying and surface storage water-work and facilities such as ponds and small reservoirs. At the same time, the Group has always reminded its employees not to waste and to use fresh water smartly. Luckily, the Hepu Plantation is located in the tropical region where rainfall is abundant and the introduction of the above measures has ensured the fresh water is conserved and used efficiently.

(iii) Soil

The fertility of the soil is one of the most important conditions for the growing of fruit trees. If the soil is not properly preserved, it may either be washed away or downgraded and will not be suitable for plants or fruit trees to grow. It does not only affect our main business, but it also will break the eco-chain and deteriorate the global environmental conditions. The Group has therefore implemented strict policies and measures to preserve the soil in its location, texture and fertility. To maintain the fertility of the soil, the Group has used as much natural and organic fertilisers as possible through decomposing of natural plants, grass, etc., on sites, to restrict the use of toxic chemical fertilisers, to practice crops rotation and to provide appropriate level of nutrients including moisture, etc.

During the Reporting Period, the Group has already implemented measures to lower GHG emissions and pollutants, to conserve fresh water and to preserve soil with the aim at improving the global environmental and climatic conditions ultimately contributing to the improvement of global warming. The Group's operations and activities do not cause much negative impacts to the environmental and climatic conditions. On the contrary, the growing of fruit trees and the control and use of the surface running fresh water have positively contributed to the building of a greener climate and environment.

(B) SOCIAL AREAS AND ASPECTS

2.1 Social Areas Overview

The Group is committed to conducting business in a transparent, equitable and socially responsible way, and strives to build mutually beneficial relationships with our stakeholders, including our employees, customers, suppliers, communities, as well as the public and governing authorities. On the formulation of ESG strategies and policies, the Group has already incorporated its short and long term corporate development goals with considerations on the stakeholders and sustainable development of the communities, society and globe.

Pursuant to the ESG Reporting Guide, social areas and aspects including "Employment and Labor Practices" and "Operation Practices and Community Investment", and the Group's performance in these areas herein reported below:

2.2 Employment and Labour Practices Areas and Aspects

The Group always believes that its business development and growth rely heavily on the commitment, passion and skills of its employees who are its most valuable asset. It has committed to strictly complying with all the relevant laws, rules and regulations on employment arrangements in the Labour Laws of the PRC《中華人民共和國勞動法》and Employment Ordinance ("**EO**") (Chapter 57 of the Laws of Hong Kong) of Hong Kong, and providing a safe and healthy working environment, offering equal opportunities to all employees on recruitment, promotion, compensation and benefits. It has strengthened its human resources management with employees oriented policies to encourage motivation and innovation, and to protect the interests and legal rights of the employees, and ultimately to achieve a positive, constructive and harmonious relationship with its employees.

B1. Employment Aspect

Since establishment, the Group has continued its employment policies and practices throughout, which include the following main features:

- Owing to the diversity in our operation bases and activities, the Human Resources Department in the Hong Kong headquarters is responsible for reviewing and approving the Group's human resources policies, and employment terms and conditions, while the regional offices' human resources managers implement the approved policies and measures in compliance with the local employment laws, rules, regulations and practices;

- The regional human resources manager reports to the regional general manager and has been assigned with the responsibility to implement the Group's human resources strategies and policies, and has been charged with the responsibility and duty to ensure all the statutory obligations of the Group have been fulfilled and complied with a legitimate manner;

- Adopt a humanistic and equitable human resources policies with equal opportunities for all without discrimination on hiring, promotion, remuneration, benefits, training, dismissal and other aspects of employment;

- All employees are required to sign employment contracts with the Group and/or its subsidiaries, and will receive an Employee Handbook, listed out all the employment terms and conditions, benefits and obligations including but not limited to, appointment, termination, working hours, rest days, statutory holidays, remunerations, various compensations, dismissals, health, general safety and welfares, etc.;

- In accordance with the requirements of the national laws of the PRC such as Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on Housing Provident Funds (住房公積金管理條例), and the EO and the Mandatory Provident Fund Schemes Ordinance ("**MPFSO**") (Chapter 485 of the Laws of Hong Kong) of Hong Kong, the Group provides and maintains statutory benefits to all qualified staff, including but not limited to mandatory provident fund, social security insurance, medical insurance, work injury insurance and compensation and statutory holidays;

- On recruitment, the Group has adopted a mixed policy of external recruitment and internal promotion for vacancies. All vacancies are open to all with equal opportunities, to be decided with no discrimination on sex, religion, gender, age and disability, and to be selected on the basis of qualification, skill and competency;

- Employees' remunerations are determined with reference to the prevailing market level in line with their competency, qualifications, experience and job position. Discretionary bonuses of such amounts and at such intervals for internal employees will be rewarded at the discretion of the top management with consideration on performance; and

- Provide a safe and pleasant working environment to our employees.

During the Reporting Period, same as the Last Reporting Period, the Group honoured all obligations to its employees including the payment of salaries and wages, holidays and leaves, compensations, insurances and health benefits. There was no wages disputes or complaints, breaches of the labour laws or labour disputes recorded.

At 30 June 2022, the Group employed a total of 47 permanent employees. Further analysis of the Group's employment situations for the Reporting Period and comparison with the Last Reporting Period are summarised below:

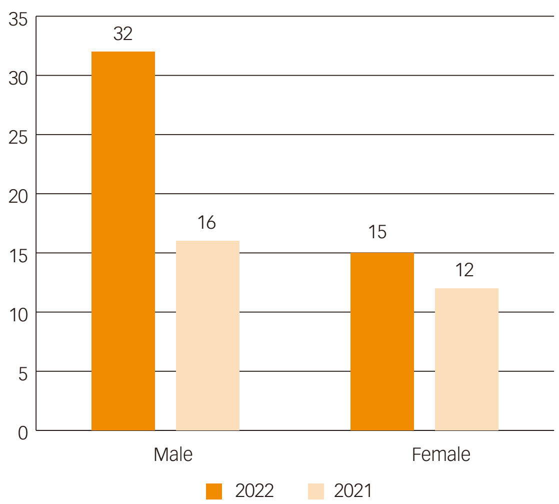


Figure 1: Number of Employees by Gender

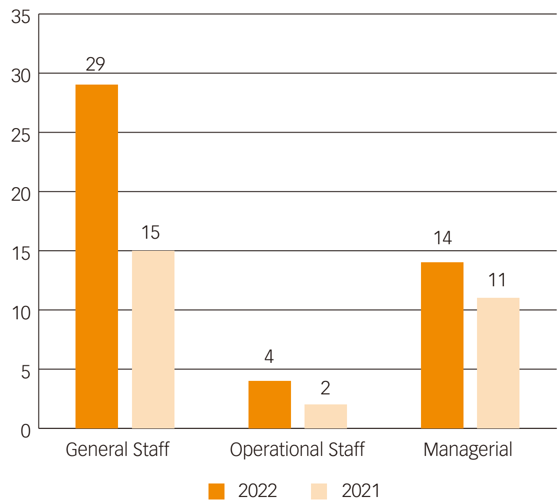


Figure 2: Number of Employees by Employment Type

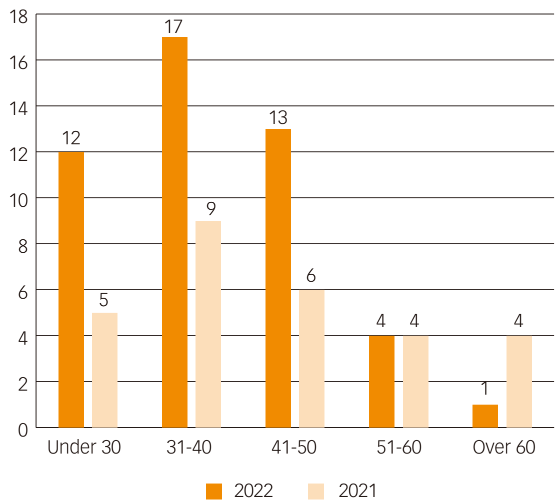


Figure 3: Number of Employees by Age

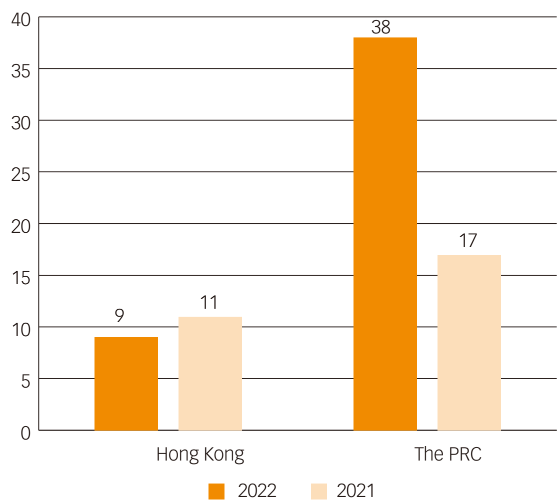


Figure 4: Number of Employees by Geographical Region

As for the employee turnover rate, an analysis of the Group's employee turnover rate breakdown for the Reporting Period is summarised in below:

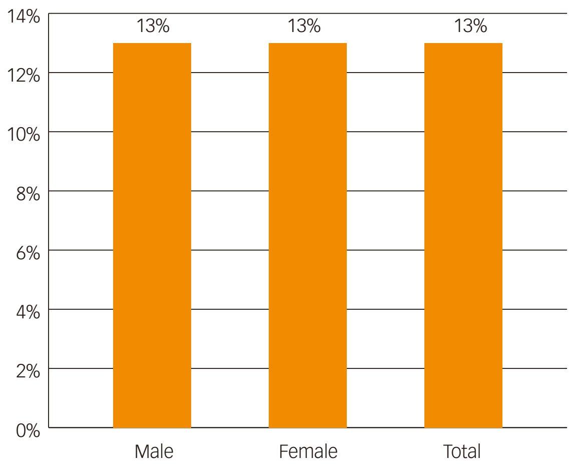


Figure 5: Employment Turnover Rate by Gender

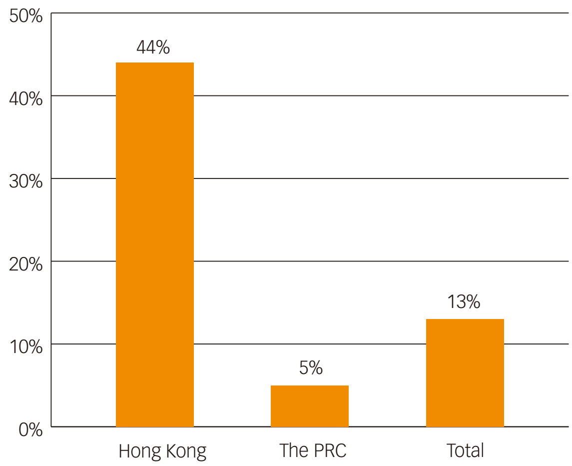


Figure 6: Employment Turnover Rate by Geographic Region

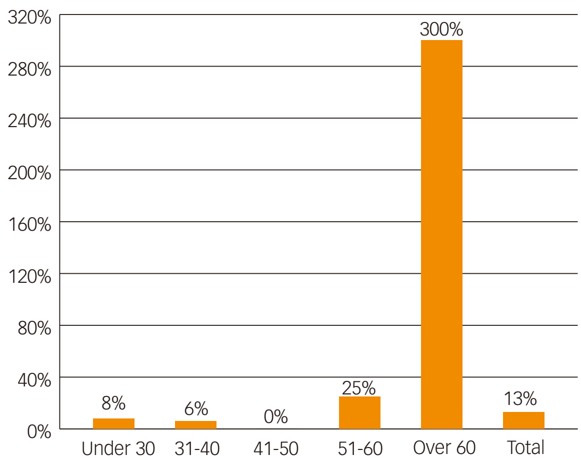


Figure 7: Employment Turnover Rate by Age

B2. Health and Safety Aspect

As a continuing policy, the Group at all times is a responsible employer and provides a safe working environment in its offices and especially its plantation sites to prevent employees from injuries and accidents, and adopts an "employee-oriented" human resources policies aiming at providing a harmonious, safe and healthy working environment to minimize the risk of any occupational hazards. The Group has taken the following health and safety measures to protect its employees:

- Constantly improves the occupational safety and health management system in order to reduce risks and create a safe working environment;

- Ensures all the safety, medical and hygiene equipment are adequately in place and are operating efficiently, passing inspections and complying with all the safety and hygiene rules and regulations;

- Requires all employees to strictly comply with the health and safety policies, rules and regulations, including the Occupational Safety And Health Ordinance (Chapter 509 of the Laws of Hong Kong) and Employees Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) of Hong Kong, and the Labour Laws of the PRC and has constantly alerted the employees to perform their tasks under safety conditions;

- Takes occupational health and safety as one of our prime responsibilities, and employees are required by the in-house rules to notify their superiors immediately, whenever emergency or accidents, regardless of minor or serious occur, who will then take appropriate measures to ensure safety is not compromised, and in all circumstances the in-house rules also require all injuries or accidents to be promptly and properly dealt with and reported in accordance with the local or national laws as appropriate;

- The Group has assigned safety officers to regularly inspect and to alert employees to take precautionary measures to ensure that the workplace is safe. The Group has also provided regular training to employees to perform their jobs safely; and

- Insures all qualified employees in both the PRC and Hong Kong with medical insurance in accordance with the statutory requirements of the two jurisdictions.

There were no serious injuries or accidents with its employees in Hong Kong and the PRC, nor any disputes and litigations with employees on compensation or work-related injuries and fatalities, nor non-compliance cases in relation to safety laws and regulations was recorded in the past three years including the Reporting Period. For the coming year, the Group targets to maintain a clean record on health and safety.

B3. Development and Training Aspect

The Group values its employees as the most valuable assets and always supports enhancing their value by providing them with development and trainings programs in terms of skills and job knowledge, plant operations and production know-hows at various levels, so that they are able to perform their required job duties in a competent and capable manner without risk to their health and safety or damage to plants and operations.

Policies are in place for on-the-job training to ensure that knowledge and skills are rightly provided in a timely manner to meet production and staff needs. Employees are encouraged to engage in self-development by taking external training programs and seminars which are sponsored by the Group in part or whole. Broadly speaking, the Group has continuously offered 3 types of trainings:

(i) Internal induction training – it is provided to new recruits to enhance their understanding of the Group's history, organization structure, work environment, regulations, responsibilities and duties, working skills, safety operation, career development plan, etc. For example: Fundamental Ethnic Standard, Career Planning, etc.

(ii) On-the-job and specific training – it is provided to regular employees with an aim to improve their career development and skills for performing their required job duties in a more competent and capable manner and without risking their health and safety. For example: Oranges Nutrition Elements, Career Planning, Sales of Agricultural Products, etc.

(iii) External specific skills and knowledge training – it is aiming at enhancing the technical and management skills, and professional quality and ability of the middle to senior managers. For example: Oranges Transportation and Freshness Preserving offered by Hau Zhong Agriculture University, Oranges Diseases Prevention, etc.

During the Reporting Period, the Group provided a total of 39 and 94 hours of internal and external training to 8 and 4 employees respectively.

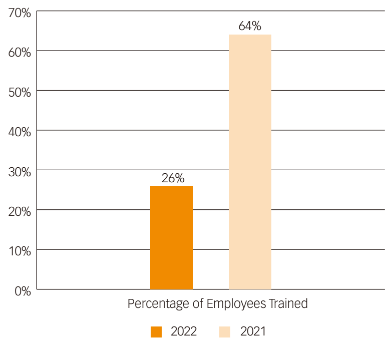


Figure 8: Percentage of Employees Trained

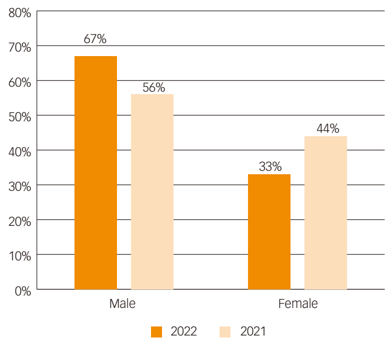


Figure 9: Percentage of Employees Trained by Gender

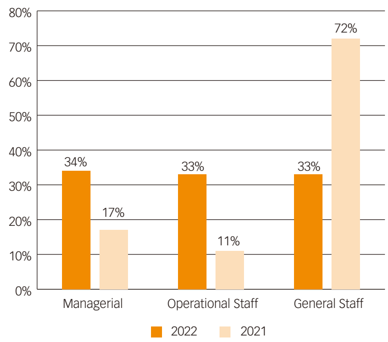


Figure 10: Percentage of Employees Trained by Employee Category

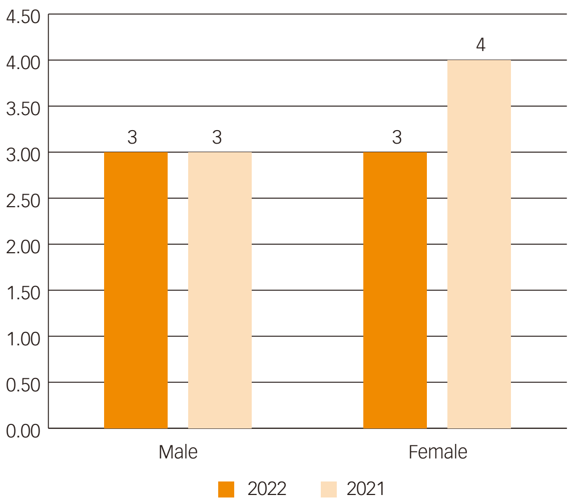


Figure 11: Average Training Hours Completed per Employees by Gender

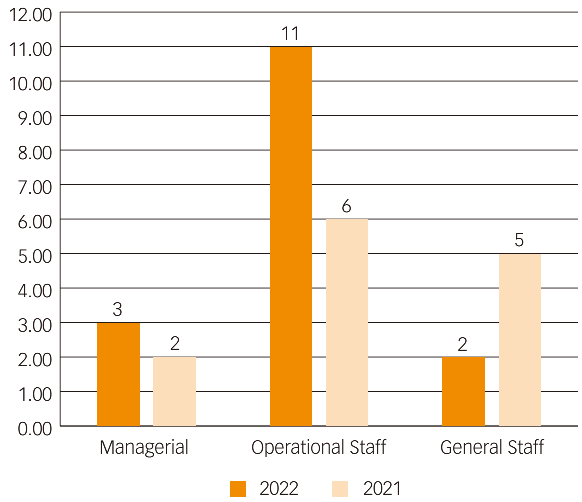


Figure 12: Average Training Hours Completed per Employees by Employee Category

B4. Labour Standards Aspect

During the Reporting Period, the Group continued with its cornerstone policy of strict compliance with the Labour Laws of the PRC《中華人民共和國勞動法》 and the EO, and adopting their respective standards on employment and labour protection and welfare. The Group adhered to the laws of the PRC and Hong Kong as well as the local market practices on recruitment, dismissal, promotion, leave, holidays, benefits as well as equal employment opportunities to all sexes, genders, ages, races and religions. The Group acted strongly against child, illegal and forced labour. As a legal formality and for better management, the Group has maintained and in safe custody on confidential basis the private file of the employees including personal background information and credentials, copies of identify card and passport, academic qualifications and certificates, references, and performance assessment by seniors.

During the Reporting Period, same as the Last Reporting Period, the Group honoured all of its obligations towards employees and no disputes or litigations on labour matters were reported. The Group is confident to maintain the good track record for the coming year.

2.3 Operation Practices Areas and Aspects

B5. Supply Chain Management Aspect

Supply chain management in the ESG Reporting Guide mainly refers to management of sourcing and procurement. The Group's main purchases include fertilisers, pesticides, fuels, packaging materials, office routine supplies, utensils and spare parts.

The Group has well-established purchase policies applying to all suppliers on a fair and equitable manner. Purchases within a specified amount are handled by the respective local offices for operational convenience reasons. Approval by Hong Kong headquarters is required when the transaction value exceeds the threshold limit.

All purchase transactions are subject to the scrutiny of internal hierarchy supervisions at different levels depending on its contract value and significance and to the overall scrutiny of external independent audit checks.

To ensure a stable, quality assured, cost efficient and well managed supply chain, the Group has implemented clear procurement management rules and guidelines and procedures with respect to procurement including quality control, warehousing, payment and documentation approval process, and methods of payment. We select suppliers based on a set of criteria, which includes (i) ability to meet specification and standards, (ii) products and services quality, (iii) pricing of the products and services, (iv) delivery reliability, and (v) track records of the suppliers' business relationships with us and others in the industry and their committed compliance to laws, rules and regulations. The Group maintains a list of approved suppliers and will invite 2 to 3 suppliers to tender for purchases for a reasonable order size in order to obtain the optimal offer and to eliminate any chance of malpractice. We provide preferential status to local suppliers who engage in environmentally friendly and socially responsible practices, who use recyclable and natural materials.

All of our purchases for general purpose and use are concluded with reputable and reliable local suppliers as far as possible so as to reduce carbon footprint and to support the local economy development. When purchase of items or service for special use, it is the policy of the Group to ensure that the supply of service or goods is fit for purpose and meets with our specification before price becomes a consideration.

During the Reporting Period, the Plantation Business, Fruit Distribution Business and Air-conditioners Distribution Business had a total of 45 suppliers (62 suppliers for 2020/21), out of which 35 were local and 10 were overseas suppliers. The decrease in the number of suppliers was mainly because the Group has terminated some of the contracts with suppliers based on the Group's supplier selection criteria including cost, quality and on-time delivery. There is an increase in the number of local suppliers for the procurement of air-conditioners for the Air-conditioners Distribution Business. Furthermore, the Group continued to support local suppliers to ensure flexibility of supplies and to boost the local economy. Owing to proper management, the Group did not experience any interruption of supplies or failure to secure sufficient quantities of supplies on time that had any material adverse impact on our business.

B6. Products Responsibility Aspect

The ESG Reporting Guide sub-divides products responsibility into 4 main aspects, which our internal control process, employee rules and regulations and contracts have clear guidelines and rules to deal with. For the Reporting Period, same as the Last Reporting Period, to ensure quality of our products, the Group's plantation operation and air-conditioners distribution operation satisfied all the legal and operation requirements with valid licenses and approvals including the land-use and ground water usage rights, environmental safety licenses, etc.

(i) Products Quality

Quality of the oranges are the most important factor for any sales. The Group continued to implement total quality control standards in its operation processes. During the Reporting Period, the Group has valid "Quality Management System Certificate", its orange was awarded the "Silver Medal of the Super Quality Agricultural Product of the Guangxi Autonomous Region" and "Export Approval Certificate". All these awards have endorsed and confirmed the quality of the Group's citrus fruits.

For the Reporting Period, the Group has an approximately RMB67,000 of sales return of the Air-conditioners Distribution Business representing approximately 0.5% of total sale of the same revenue segment due to non-quality reasons of return. Additionally, the Group is proud that there has been no material complaint or claim on its products quality and its products have not been subject to any investigation by government authorities on quality or safety as well. For the coming year, the Group has the confidence to maintain the same good track record with its sound management control.

(ii) Handling of Sales Complaints

As previously reported, the Group has clear procedures to handle customers' complaints on the quality of its products. Whenever a customer complaint is received, the responsible sale-person will immediately report to the senior and to conduct investigation into the incident and find out the reasons why the quality of its products has been downgraded. For most of its sales, the customers will physically inspect, confirm and accept the quality of the products before order placement and delivery. There should not be any quality variation or complaints. However, for some sales orders, the Group, on behalf of the customers, selects and delivers the products directly to the customers' warehouses, which may have unforeseen accidents causing a change to the quality of our products during transit. Under these situations, the Group will review the situation based on site investigations and evidences, and will negotiate with the customers normally by giving a discount to settle the sales. These types of cases were not many and had been amicably settled.

During the Reporting Period, same as the Last Reporting Period, the Group did not receive any complaints from customers that had any material adverse impact on its products, business and results of operation. The Group, again is confident to achieve the same results for the coming year.

(iii) Privacy

The Group's main business and operation has generated a substantial volume of private, confidential and sensitive information of customers, suppliers, business partners including the operation status and financial positions, commercial terms of contracts, general background information, etc. These types of information are extremely sensitive and important, and by law, must be safeguarded and protected. The Group fully understands its obligation, and has taken measures to ensure strictest protection of the information against unauthorized access, use and disclosure through a variety of security technologies and procedures. The Group has incorporated a confidentiality clause into the labour contract, under which all employees are obligated to follow.

During the Reporting Period, same as the Last Reporting Period, the Group received no complaint on any breach of privacy or leakage of information. Given its existing internal control and technical control process, the Group is confident that confidential information will not be accessed and leaked out easily.

(iv) Intellectual Property Right ("**IPR**")

As disclosed in the Last Reporting Period, the Group has registered its company logo and "Royalstar 新雅奇" brand with the Trade Marks Registry of The Government of Hong Kong, and such registration has continued to be valid. The Group's business operation continues to involve no IPR issue. The Group also respects intellectual property right which has been implemented in its daily operation such as its installation of original software in its computers to avoid vulnerabilities and legal disputes arising from software copyright.

For the Reporting Period and the Last Reporting Period, no infringement complaints on IPR against the Group was received.

B7. Anti-Corruption Aspect

The Group is well aware of the importance of honesty, integrity and fairness in its business operations and has continued in place an anti-corruption policy which involves comprehensive internal control system comprising corruption reporting and investigation procedures. An Independent Non-executive Director will be charged with the responsibility to initiate investigation upon receiving any corruption reports. Moreover, employees at all levels have been constantly reminded and advised in meetings and documents, such as the staff handbooks, on anti-corruption, conflict of interest and giving and taking of interests. With the implementation of clear policies and well-structured processes on purchases, sales, operation and finance, and the adoption of a high code of standard, the Group reported no bribery nor corruption cases during the Reporting Period, same as the Last Reporting Period.

2.4 Community Area and Aspect

B8. Community Investment Aspect

As a responsible enterprise, the Group always insists to undertake its social obligations to support and to pay back to the local residents, community and environment. During the Reporting Period, the Group contributed the following:

(a) Local Residents – the Group donated RMB50,000 to sponsor Wujia Town to repair Dapotou Road West Dajiang Bridge in January 2022;

(b) Environment – the Group has continued constructing its Green Environment through careful and increased planting of trees to improve the landscape of its plantation fields and more importantly to reduce global warming by absolving CO_2 and release oxygen, and conserve water and top-soil;

(c) Society – the Group has continued to work with the educational institutions on agricultural researches and provide its plantation farms as education centres such as "Guangxi Agricultural Sciences Testing Centre", "Guangxi Agriculture Vocational College Training Centre", "Hua Zhong Agricultural University Practice Centre" and "Hong Kong Young Patriot Agriculture Training Centre";

(d) Community – the Group's plantation farm has continued to helped to boost the local economy through training up the locals on fruit growing so that they can grow and develop their own fruits farms, and to co-operate with the local farmers to jointly grow other kinds of fruits such as bananas on co-operative land; and

(e) Employees – the Group has continued to provide training to improve the employees' job skills and knowledge. The Group also organized celebration events and gatherings for its employees during festive seasons.

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

TO THE SHAREHOLDERS OF ASIAN CITRUS HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Asian Citrus Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") set out on pages 63 to 130, which comprise the consolidated statement of financial position as at 30 June 2022, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the *HKICPA's Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses ("ECL") on trade and other receivables	
Refer to notes 5 and 20 to the consolidated financial statements respectively. As at 30 June 2022, the Group had trade and other receivables of approximately RMB6,623,000 and RMB31,264,000 respectively. The allowance for ECL were approximately RMB204,000 and RMB6,678,000 respectively. The allowance for ECL on trade and other receivables represents the management's best estimates at the reporting date of expected credit losses under International Financial Reporting Standard 9: Financial Instruments expected credit losses models. Management assesses whether the credit risks of trade and other receivables have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their expected credit losses. The measurement models of expected credit losses involves significant management judgments and assumptions, primarily including the following: – selection of appropriate model and determination of relevant key measurement parameters, including probability of default, loss given default and exposure at default; – criteria for determining whether or not there was a significant increase in credit risk or a default; and – economic indicator for forward-looking measurement, and the application of economic scenarios and weightings. We focus on this area due to the magnitude and the significant estimates and judgement involved in determining the expected credit losses allowance on the trade and other receivables.	Our audit procedures in relation to management's assessment on allowance for ECL on trade and other receivables included but not limited to: – understood and evaluated the key control procedures over management's estimation of expected credit losses allowance and periodic review on overdue receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors in association with estimation of expected credit losses; – for the historical information, discussed with management to understand the management's identification of significant increase in credit risk, defaults and credit-impaired receivables, corroborated management's explanation with supporting evidence; and – for forward-looking measurement, we assessed the reasonableness of economic indicator selection, economic scenarios and weightings application, assessed the reasonableness of the estimation by comparing with industry or country data. Based on the above, we found that the estimates and judgement made by management in respect of the allowance for ECL on the trade and other receivables were supportable by the available evidence.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "**Other Information**").

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditors' report is Yu Chi Fat.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 30 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	7	**143,572**	195,618
Other income	8	**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	18	**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	9	**(2)**	(23)
Distribution and other operating expenses		**(6,632)**	(921)
General and other administrative expenses		**(16,718)**	(14,226)
(Loss)/profit before tax	10	**(19,026)**	7,319
Income tax expense	11	**(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	14		
– Basic and diluted		**(0.008)**	0.003

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	2022 RMB'000	2021 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	15	**63,234**	67,886
Right-of-use assets	16	**51,928**	–
Financial assets at fair value through other comprehensive income	17	**3,202**	–
Prepayment for property, plant and equipment	22	**–**	5,000
		118,364	72,886
Current Assets			
Biological assets	18	**910**	520
Inventories	19	**19,492**	994
Trade and other receivables	20	**31,005**	19,293
Loan receivables	21	**6,978**	–
Prepayments	22	**5,742**	4,756
Cash and cash equivalents	23	**48,100**	167,876
		112,227	193,439
Total Assets		**230,591**	266,325
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	24	**22,831**	22,831
Reserves		**178,689**	191,697
Total Equity		**201,520**	214,528

	Note	2022 RMB'000	2021 RMB'000
LIABILITIES			
Current Liabilities			
Trade and other payables	25	**28,498**	11,535
Contract liabilities	26	**164**	39,411
Lease liabilities	27	**46**	–
Income tax payable		**321**	851
		29,029	51,797
Non-current Liabilities			
Lease liabilities	27	**42**	–
Total Equity and Liabilities		**230,591**	266,325

The consolidated financial statements on pages 63 to 130 were approved and authorised for issue by the board of directors on 30 September 2022 and are signed on its behalf by:

Ng Ong Nee
Executive Director

Ng Hoi Yue
Executive Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Fair value through other comprehensive income reserve RMB'000	Statutory reserve RMB'000 *Note (a)*	Exchange reserve RMB'000 *Note (b)*	Accumulated losses RMB'000	Total RMB'000
As at 1 July 2021	22,831	3,782,111	–	1,709	(2,850)	(3,589,273)	214,528
Loss for the year	–	–	–	–	–	(20,696)	(20,696)
Other comprehensive income	–	–	6,589	–	1,099	–	7,688
Total comprehensive income/(loss) for the year	–	–	6,589	–	1,099	(20,696)	(13,008)
Transfer of reserve upon disposal of investments in equity instruments measured at fair value through other comprehensive income	–	–	(5,534)	–	–	5,534	–
	–	–	1,055	–	1,099	(15,162)	(13,008)
As at 30 June 2022	22,831	3,782,111	1,055	1,709	(1,751)	(3,604,435)	201,520

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Fair value through other comprehensive income reserve RMB'000	Statutory reserve RMB'000 *Note (a)*	Exchange reserve RMB'000 *Note (b)*	Accumulated losses RMB'000	Total RMB'000
As at 1 July 2020	12,340	3,711,195	–	1,000	(2,247)	(3,592,556)	129,732
Profit for the year	–	–	–	–	–	3,992	3,992
Other comprehensive loss	–	–	–	–	(603)	–	(603)
Total comprehensive (loss)/income for the year	–	–	–	–	(603)	3,992	3,389
Appropriations	–	–	–	709	–	(709)	–
Placing of shares *(Note 24)*	10,491	70,916	–	–	–	–	81,407
	10,491	70,916	–	709	(603)	3,283	84,796
As at 30 June 2021	22,831	3,782,111	–	1,709	(2,850)	(3,589,273)	214,528

Notes:

(a) The statutory reserve represents the appropriation of 10% of profit after tax (after offsetting prior year losses) determined based on the accounting standards and regulations of the People's Republic of China (the "**PRC**") as required by the relevant PRC rules and regulations and the Articles of Association of each of the Company's PRC subsidiaries. The appropriation may cease to apply if the balance of the statutory reserve has reached 50% of that PRC subsidiary's registered capital.

(b) The exchange reserve comprises all foreign exchange differences on translation of the financial statements of foreign operations. The exchange reserve is dealt with in accordance with accounting policy set out in note 3(n).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
(Loss)/profit before tax		**(19,026)**	7,319
Adjustments for:			
Interest income	8	**(213)**	(86)
Finance costs	9	**2**	23
Depreciation of property, plant and equipment	15	**8,064**	7,947
Depreciation of right-of-use assets	16	**1,708**	1,065
Written-down of inventories	19	**–**	3
Loss/(gain) on disposal of property, plant and equipment	10	**8**	(236)
Loss on written-off of property, plant and equipment	10	**2,450**	–
Gain on bargain purchase on acquisition of a subsidiary	33	**(158)**	–
Provision for/(reversal of) impairment losses recognised under expected credit losses model, net	10	**2,658**	(105)
Realised gain arising from changes in fair value of biological assets less costs to sell	18	**(617)**	(15,331)
Operating cash flows before movements in working capital		**(5,124)**	599
Decrease in biological assets		**227**	15,361
(Increase)/decrease in inventories		**(18,489)**	481
Decrease in trade and other receivables		**3,380**	20,137
Decrease in prepayments		**5,121**	4,443
Increase/(decrease) in trade and other payables		**12,233**	(12,334)
(Decrease)/increase in contract liabilities		**(39,247)**	39,411
Cash (used in)/generated from operating activities		**(41,899)**	68,098
Income tax paid			
PRC tax		**(2,200)**	(5,814)
Net cash (used in)/generated from operating activities		**(44,099)**	62,284

	Note	2022 RMB'000	2021 RMB'000
Investing activities			
Purchase of property, plant and equipment		(5,886)	(47)
Payments for right-of-use assets		(48,533)	–
Proceeds from disposal of property, plant and equipment		26	236
Prepayment for property, plant and equipment		–	(5,000)
Purchase of financial assets at fair value through other comprehensive income		(12,720)	–
Loan advanced to a connected entity	21	(7,000)	–
Net cash outflow on acquisition of a subsidiary	33	(2,219)	–
Interest received		115	86
Net cash used in investing activities		(76,217)	(4,725)
Financing activities			
Proceeds from issue of shares, net of issuing expenses		–	81,407
Repayment of principal portion of lease liabilities		(15)	(1,091)
Payment of interest on lease liabilities		(2)	(23)
Net cash (used in)/generated from financing activities		(17)	80,293
Net (decrease)/increase in cash and cash equivalents		(120,333)	137,852
Cash and cash equivalents at beginning of the year		167,876	31,496
Effect of foreign exchange rate changes		557	(1,472)
Cash and cash equivalents at end of the year	23	48,100	167,876

The accompanying notes form part of these consolidated financial statements.

1. GENERAL INFORMATION

Asian Citrus Holdings Limited (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 set out in the note 31 to the consolidated financial statements.

The Company's functional currency is Hong Kong dollar ("**HKD**"). However, the consolidated financial statements are presented in Renminbi ("**RMB**"), as the board of directors of the Company considers that RMB is the functional currency of the primary economic environment in which most of the transactions of the Company and its subsidiaries (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.

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

(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 OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use the power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

Business combinations *(continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The principal rates used for this purpose are as follows:

Buildings	3.33%
Leasehold improvements	3.33% to 33.33%
Furniture, plant and machinery	5% to 33.33%
Motor vehicles	10% to 33.33%
Farmland infrastructure and machinery	5% to 33.33%
Bearer plants	10 years to 17 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(c) Construction-in-progress

Construction-in-progress represents farmland infrastructure and land improvements under construction, property, plant and equipment under construction and equipment pending installation, and is stated at cost less subsequent impairment losses, if any. The cost of construction work is transferred to the appropriate category of property, plant and equipment upon completion of the construction. Depreciation commences when the relevant assets are available for use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible assets with finite useful lives and determines whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets is estimated individually except when it is not possible to estimate the recoverable amount of an individual asset, in which case the Group estimates the recoverable amount of the cash generating units (the "**CGUs**") to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a CGU) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Inventories

Inventories, including agricultural produce, are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(g) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted for on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) ***Leases*** *(continued)*

The Group as a lessee *(continued)*

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets include:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases (continued)

The Group as a lessee *(continued)*

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment; and
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The lease liabilities are presented as a separate line item in the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases (continued)

The Group as a lessee *(continued)*

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

(h) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) *Financial instruments* *(continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) ***Financial instruments*** *(continued)*

Financial assets *(continued)*

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earning.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group recognises loss allowances for expected credit losses ("**ECL**") on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables (excluding prepayments), loan receivables and cash at bank). The amount of ECL is updated at the end of each reporting period to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the end of the reporting period. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(i) Significant increase in credit risk *(continued)*

In particular, the following information are taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over three years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Financial instruments (continued)

Financial assets *(continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (continued)

(v) Measurement and recognition of ECL *(continued)*

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Financial liabilities and equity instruments

Classification as debts or equity

Debts and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(j) Employee benefits

Short-term employee benefits and contributions to defined contributions retirement plans

Salaries, wages, annual bonuses, paid annual leave and contributions to defined contributions retirement plans are accrued in the year in which the associated services are rendered by employees of the Group.

The Group operates a mandatory provident fund scheme in Hong Kong for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. This scheme is a defined contribution retirement scheme administered by independent trustee. In addition, the subsidiaries in the PRC are required to participate in the defined contribution retirement schemes operated by the relevant government authorities for employees in the PRC and make contributions to the retirement schemes at certain rates of the basic salary of its employees in the PRC. Contributions to all these schemes are charged to profit or loss when incurred.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/(loss) before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised for the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the end of the reporting period.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Taxation *(continued)*

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Revenue from contracts with customers *(continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Planting, cultivation and sale of agricultural produce and distribution of fruits

Revenue from planting, cultivation and sale of agricultural produce and distribution of fruits is recognised at a point in time when control of the products has transferred, being when the products are delivered to the customers and there is no unfulfilled obligation that could affect the customer's acceptance of the products and collectability of the related receivables is reasonably assured.

Distribution and installation of air-conditioners

Sales of products are recognised as revenue when control of the products has transferred, being when product are delivered to the customer. Delivery occurs when the products have been transported to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Revenue from contracts with customers (continued)

Principal versus agent

Determining whether revenue of the Group should be reported gross or net is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal and obtains control any of the following: (i) a good or another asset from the other party that the Group then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the Group the ability to direct that party to provide the service to the customer on the Group's behalf; (iii) a good or service from the other party that the Group then combines with other goods or services in providing the specified good or service to the customer. If control is unclear, when the Group is primarily obligated in a transaction, is subject to inventory risk, has latitude in establishing prices and selecting suppliers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from products sold or services provided.

(n) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in Hong Kong dollars to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in exchange reserve. Such exchange differences accumulated in the exchange reserve are not reclassified to profit or loss subsequently.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

(p) Biological assets

Biological assets consist of the growing produce before harvest on fruit trees. Fruit trees owned by the Group are bearer plants and are accounted for as property, plant and equipment.

The growing produce on fruit trees are the growing oranges and passion fruits of the Group on the cultivation bases. These biological assets are measured at fair value less costs to sell on initial recognition and at the end of each reporting period, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are carried at cost less impairment loss. Once the fair value becomes reliably measurable, the biological assets are measured at fair value less costs to sell and changes in fair value are recognised in profit or loss.

The agricultural produce harvested from fruit trees is measured at fair value less costs to sell at the time of harvest, which is determined based on market prices of similar agricultural produce prevailing in the market as at or close to the harvest dates in the local market. The fair value less costs to sell at the time of harvest is deemed as the cost of the inventories for sales. Costs to sell are the incremental costs directly attributable to sell the assets but excludes finance costs and income taxes.

A gain or loss arising on initial recognition of biological assets at fair value less costs to sell and from a change in fair value less costs to sell is recognised in profit or loss for the period in which it arises.

Biological assets that are expected to be realised in the next harvest within the next twelve months are classified under current assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint venture of a third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Related parties (continued)

(b) *(continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

(r) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the consolidated financial statements provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(s) Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumption concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(continued)*

Fair values of biological assets

Management estimates the fair value of biological assets (growing produce) less costs to sell at the end of the reporting period with reference to the recent market prices of the harvested agricultural produce and further costs to be incurred up to the harvesting of the produce, except where fair value cannot be measured reliably due to unavailability of quoted market prices and no reliable alternative estimates exist to determine fair value, in which case the assets are carried at cost less accumulated impairment losses.

Management assesses the fair value of agricultural produce less costs to sell at point of harvest based on market price of similar agricultural produce prevailing in the market as at or close to the harvest date, or valuation from independent appraiser.

Unexpected volatility in market prices of the underlying biological assets (growing produce) and agricultural produce could significantly affect the fair value of these biological assets and result in fair value remeasurement changes in future accounting periods.

The Group's business is subject to the usual agricultural hazards from fire, wind, insects and other natural phenomena/occurrences. Forces of nature such as temperature and rainfall may also affect harvest efficiency. Management considers adequate measures are in place, in minimising the negative impacts from natural disaster, if any. Nevertheless, unexpected factors affecting harvestable agricultural produce may result in remeasurement or changes in harvests in future accounting periods.

Estimated impairment of financial assets at amortised cost

The loss allowances for financial assets are estimated based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

5. FINANCIAL INSTRUMENTS

(a) *Categories of financial instruments*

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost	**86,083**	187,169
Financial liabilities		
Financial liabilities at amortised cost	**(28,586)**	(11,535)

(b) *Financial risk management objectives and policies*

The Group's major financial instruments include trade and other receivables (excluding prepayments), loan receivables, cash and cash equivalents, trade and other payables and lease liabilities. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risks (foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through its trade and other receivables (excluding prepayments), loan receivables, cash and cash equivalents and trade and other payables (excluding receipt in advance) that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily HKD.

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuation arise. The Group currently does not use any derivative contracts to hedge against its exposure to currency risk. Management manages its currency risk by closely monitoring the movement of the foreign currency rate and considers hedging significant foreign currency exposure should the need arise.

Exposure to foreign currency risk

The following table details the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than RMB, the functional currency of the entity to which they relate.

	Assets		Liabilities	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
HKD	**46,620**	76,848	**2,508**	6,667

5. FINANCIAL INSTRUMENTS *(continued)*

(b) *Financial risk management objectives and policies* *(continued)*

Market risk *(continued)*

(i) Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's results after tax (and accumulated losses) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

	2022 Increase/(decrease) in foreign exchange rates	2022 Increase/(decrease) in profit after tax and decrease/(increase) in accumulated losses RMB'000	2022 Effect on other components of equity RMB'000	2021 Increase/(decrease) in foreign exchange rates	2021 Increase/(decrease) in profit after tax and decrease/(increase) in accumulated losses RMB'000	2021 Effect on other components of equity RMB'000
HKD	10%	4,025	106	10%	6,990	–
	(10%)	(4,025)	(106)	(10%)	(6,990)	–

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the group entities exposure to currency risk for the financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' result after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose. The analysis is performed on the same basis for 2021.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from short term bank deposits. The Group's interest income is dependent on changes in market interest rates. However, a reasonably possible change of 50 basis points in interest rates would have no significant impact on the Group's profit or loss for the year and thus no sensitivity analysis is presented.

Credit risk and impairment assessment

The Group's credit risk is primarily attributable to trade and other receivables (excluding prepayments), loan receivables and cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) *Financial risk management objectives and policies* *(continued)*

Trade receivables

In order to minimise the credit risk on trade receivables, the Group has policies in place to ensure that sales are made to customers with appropriate credit history or in cash. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced. In addition, the Group performs impairment assessment under ECL model on trade balances from its trade customers based on provision matrix.

The Group's exposure to credit risk on trade receivables is influenced mainly by the industry or country in which the customers operate. As at 30 June 2022, 10.46% (2021: 75.2%) and 41.16% (2021: 100%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors respectively. Those debtors are engaged in fruit distribution business in the PRC.

The Group applies IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables from initial recognition onwards. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort.

Gross carrying amount

	2022		
	Average loss rate	**Gross carrying amount RMB'000**	**Allowance for ECL RMB'000**
0-30 days	**1.24%**	**5,256**	**65**
31-60 days	**2.97%**	**312**	**9**
61-90 days	**4.76%**	**560**	**27**
Over 90 days	**20.81%**	**495**	**103**
		6,623	**204**

	2021		
	Average loss rate	Gross carrying amount RMB'000	Allowance for ECL RMB'000
0-30 days	1.70%	4,166	71

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies (continued)

Deposits paid and other receivables

The Group performs impairment assessment under ECL model on deposits paid and other receivables. Deposits paid and other receivables have been grouped based on the days past due and other credit risk characteristics. As at 30 June 2022, the Group has assessed deposits paid and other receivables with gross amount of approximately RMB16,989,000 (2021: RMB604,000) within 12m-ECL based on average expected loss rate of 0.82% (2021: 0.17%) and a loss allowance of approximately RMB138,000 (2021: RMB1,000) was recognised. The remaining gross amount of approximately RMB14,275,000 (2021: RMB18,867,000) was assessed individually within lifetime ECL. Loss allowance of approximately RMB6,540,000 (2021: RMB4,272,000 was recognised based on expected loss rate of 45.81% (2021: 22.64%).

Loan receivables

The Group estimates the ECL under IFRS 9 ECL models. The Group assesses whether the credit risks of loan receivables have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL, the management assesses impairment loss using the risk parameter modelling approach that incorporates key measurement parameters, including probability of default, loss given default and exposure at default, with the consideration of forward-looking information. As at 30 June 2022, the Group has assessed loan receivables with gross amount of approximately RMB7,098,000 with 12m-ECL based on average expected loss rate of 1.69% and loss allowance of approximately RMB120,000 was recognised.

Cash and cash equivalents

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

5. FINANCIAL INSTRUMENTS *(continued)*

(b) Financial risk management objectives and policies *(continued)*

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and development and to mitigate the effect of fluctuations in cash flows.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash outflows and the earliest date the Group can be required to pay:

2022	Weighted average effective interest rate	Carrying amount RMB'000	Total contractual undiscounted cash outflow RMB'000	Within 1 year or on demand RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000
Trade and other payables	–	(28,498)	(28,498)	(28,498)	–	–
Lease liabilities	7.6%	(88)	(94)	(50)	(44)	–
		(28,586)	(28,592)	(28,548)	(44)	–

2021	Weighted average effective interest rate	Carrying amount RMB'000	Total contractual undiscounted cash outflow RMB'000	Within 1 year or on demand RMB'000	After 1 year but within 2 years RMB'000	After 2 years but within 5 years RMB'000
Trade and other payables	–	(11,535)	(11,535)	(11,535)	–	–

(c) Fair value of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. As at 30 June 2022, the investment funds were stated by reference to the net asset value provided by the relevant administrators of the investment funds.

Information about Level 3 fair value measurements

Description	Fair value 2022 RMB'000	Fair value 2021 RMB'000	Fair value hierarchy	Valuation technique and key input
Unlisted investment funds	3,202	–	Level 3	Net asset value

The net asset value is positively correlated to the fair value measurement of the unlisted investment funds.

There were no transfers between Level 1 and 2, or transfers into or out of Level 3, during the years ended 30 June 2022 and 30 June 2021.

5. FINANCIAL INSTRUMENTS *(continued)*

(c) Fair value of financial instruments *(continued)*

Reconciliation of Level 3 fair value measurements

	Financial assets at FVTOCI RMB'000
At 1 July 2021	–
Addition	12,720
Disposal	(16,807)
Realised gain	5,534
Unrealised gain	1,055
Exchange realignment	700
As 30 June 2022	**3,202**

Included in other comprehensive income is an amount of approximately RMB6,589,000 relating to fair value gain on unlisted investment funds classified as financial assets at FVTOCI held as at 30 June 2022 and was reported as changes of FVTOCI reserve.

Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2022 and 2021.

6. 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 深圳市金龍建設工程有限公司 (Shenzhen Jinlong Construction Engineering Co., Ltd.*) ("**Jinlong Construction**"), and it is considered as a new operating and reportable segment by the management.

* *For identification purposes only*

6. SEGMENT INFORMATION *(continued)*

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)

6. SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities (continued)

The accounting policies of operating segments are the same as the Group's accounting policies as described in note 3 to the consolidated financial statements. 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.

6. SEGMENT INFORMATION *(continued)*

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 RMB'000	2021 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.

7. REVENUE

Disaggregation of revenue from contracts with customers

	Plantation Business		Fruit Distribution Business		Air-conditioners Distribution Business		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 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.

8. OTHER INCOME

	Note	2022 RMB'000	2021 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.

9. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	2	23

10. (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 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

11. 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

11. INCOME TAX EXPENSE *(continued)*

(a) 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 of the Company 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.

(b) Reconciliation between income tax expense and (loss)/profit before tax in the consolidated statement of profit or loss at applicable rates:

	2022 **RMB'000**	2021 RMB'000
(Loss)/profit before tax	**(19,026)**	7,319
Tax calculated at tax rates applicable to the jurisdictions concerned	**(3,707)**	3,036
Tax effect of non-deductible expenses	**5,588**	334
Tax effect of non-taxable income	**(211)**	(43)
Income tax expense	**1,670**	3,327

* *For identification purposes only*

12. DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees		Salaries, allowance and benefits in kind		Retirement scheme contribution		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Directors' emoluments								
Executive directors								
Mr. Ng Ong Nee *(Chairman and Chief Executive Officer)*	–	993	–	145	–	–	–	1,138
Mr. Ng Hoi Yue *(Deputy Chief Executive Officer)*	–	–	1,613	1,561	15	15	1,628	1,576
Non-executive directors								
Mr. James Francis Bittl *(note 1)*	205	8	–	–	–	–	205	8
Mr. He Xiaohong	307	298	–	–	–	–	307	298
Independent non-executive directors								
Mr. Liu Ruiqiang *(note 2)*	205	11	–	–	–	–	205	11
Mr. Lai Zheng *(note 3)*	26	–	–	–	–	–	26	–
Mr. Wang Tianshi *(note 3)*	26	–	–	–	–	–	26	–
Mr. Chung Koon Yan *(note 4)*	–	188	–	–	–	–	–	188
Dr. Lui Ming Wah, PhD, SBS, JP *(note 5)*	102	199	–	–	–	–	102	199
Mr. Yang Zhen Han *(note 5)*	102	199	–	–	–	–	102	199
	973	1,896	1,613	1,706	15	15	2,601	3,617

Notes:

1. Mr. James Francis Bittl was appointed as a non-executive director on 16 June 2021.

2. Mr. Liu Ruiqiang was appointed as an independent non-executive director on 10 June 2021.

3. Mr. Lai Zheng and Mr. Wang Tianshi were appointed as independent non-executive directors on 29 March 2022.

4. Mr. Chung Koon Yan resigned as an independent non-executive director on 10 June 2021.

5. Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han retired as independent non-executive directors on 30 December 2021.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments and the independent non-executive directors' emoluments shown above were mainly for their services as directors.

There was an arrangement under which Mr. Ng Ong Nee waived his director's remuneration of approximately RMB1,331,000 (2021: RMB298,000) during the year ended 30 June 2022.

The Group has been providing accommodation, which is leased from third party, to Mr. Ng Ong Nee and Mr. Ng Hoi Yue for use by them and their family members at no charge. The estimated money value of the benefit in kind for each of them was approximately Nil and RMB461,000 (2021: RMB145,000 and RMB377,000) respectively.

13. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year ended 30 June 2022 included one (2021: two) director(s) of the Company, details of his(their) emoluments are set out in note 12 above. The emoluments in respect of the remaining four (2021: three) highest paid individuals are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, wages and other benefits	2,457	2,418
Retirement scheme contribution	136	82
	2,593	2,500

No emoluments were paid by the Group to the directors of the Company or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil).

The number of the four (2021: three) employees with the highest emoluments fell within the following bands:

	2022	2021
Nil to HKD1,000,000	4	2
HKD1,000,001 to HKD1,500,000	–	1

14. (LOSS)/EARNINGS PER SHARE

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

	2022 RMB'000	2021 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.

15. PROPERTY, PLANT AND EQUIPMENT

	Construction-in-progress RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Furniture, plant and machinery RMB'000	Motor vehicles RMB'000	Farmland infrastructure and machinery RMB'000	Bearer plants RMB'000	Total RMB'000
Cost								
As at 1 July 2020	934	27,337	4,837	5,065	2,991	88,668	54,079	183,911
Additions	11	–	–	25	11	–	–	47
Transfer	(215)	–	–	–	–	215	–	–
Disposal and written-off	–	–	(3,223)	(702)	–	–	–	(3,925)
Exchange alignment	–	–	–	(28)	(10)	–	–	(38)
As at 30 June 2021 and 1 July 2021	730	27,337	1,614	4,360	2,992	88,883	54,079	179,995
Additions *(note)*	–	3,467	–	5	–	2,243	171	5,886
Acquisition of a subsidiary *(note 33)*	–	–	–	–	–	3	–	3
Transfer	(312)	312	–	–	–	–	–	–
Disposal and written-off	–	–	–	–	(286)	–	(4,667)	(4,953)
Exchange alignment	–	–	–	–	11	–	–	11
As at 30 June 2022	418	31,116	1,614	4,365	2,717	91,129	49,583	180,942
Accumulated depreciation and impairment								
As at 1 July 2020	–	10,956	3,945	3,557	2,612	75,347	11,673	108,090
Charge for the year	–	823	126	383	196	2,218	4,201	7,947
Written back upon disposal and written-off	–	–	(3,223)	(702)	–	–	–	(3,925)
Exchange alignment	–	–	–	(2)	(1)	–	–	(3)
As at 30 June 2021 and 1 July 2021	–	11,779	848	3,236	2,807	77,565	15,874	112,109
Charge for the year	–	1,063	124	223	125	2,328	4,201	8,064
Written back upon disposal and written-off	–	–	–	–	(252)	–	(2,217)	(2,469)
Exchange alignment	–	–	–	–	4	–	–	4
As at 30 June 2022	–	12,842	972	3,459	2,684	79,893	17,858	117,708
Carrying amounts								
As at 30 June 2022	418	18,274	642	906	33	11,236	31,725	63,234
As at 30 June 2021	730	15,558	766	1,124	185	11,318	38,205	67,886

Note: The Group completed the acquisition of buildings located in the PRC during the year ended 30 June 2022.

15. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Certain property, plant and equipment, including but not limited to the bearer plants of the Group, were being occupied for the Plantation Business which is operated under the terms set out in a business cooperation agreement entered into between the Group and a cooperator whereby the cooperator would contribute farmland for use in the Plantation Business and the Group would contribute those property, plant and equipment as well as provide and bear 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 Plantation Business accordingly.

The quantity of fruit trees planted by the Group at the end of the reporting period is as follow:

	2022 **'000**	2021 '000
Citrus trees	**308**	341
Passion fruit trees	**43**	–
	351	341

16. RIGHT-OF-USE ASSETS

	Land use rights **RMB'000**	**Leased properties** **RMB'000**	**Total** **RMB'000**
As at 30 June 2022			
Carrying amount	**51,842**	**86**	**51,928**
For the year ended 30 June 2022			
Addition to right-of-use assets	**53,533**	**103**	**53,636**
Depreciation charge for the year	**(1,691)**	**(17)**	**(1,708)**
As at 30 June 2021			
Carrying amount	–	–	–
For the year ended 30 June 2021			
Depreciation charge for the year	–	(1,065)	(1,065)
Exchange alignment	–	(109)	(109)

	2022 **RMB'000**	2021 RMB'000
Expenses relating to short-term leases	**18**	280
Total cash outflow for leases *(Note)*	**35**	1,394

Note:

Amount includes payments of principal and interest portion of lease liabilities and short-term leases. These amounts could be presented in operating or financing cash flows.

The Group completed the acquisition of land located at Shenzhen in the PRC during the year ended 30 June 2022 or which details are set out in note 22.

As at 30 June 2022, the land use rights of the Group are located in the PRC with the lease periods were 21 years.

For both years, the Group leased a property in the PRC for its operations. Lease contract is entered into for a fixed term of twenty-six months. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2022 RMB'000
Unlisted investment funds	**3,202**

During the year ended 30 June 2022, the Group acquired participating shares of an equity fund investment at a consideration of approximately RMB12,720,000. These investments are not held for trading purpose, instead, they are held for long-term strategic purposes. The directors of the Company have made the irrevocable election to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. The details of the determining the fair value are set out in note 5 to the consolidated financial statements.

As disclosed in the Company's announcements dated on 31 May 2022 and 13 July 2022, the Group served a redemption notice to the investment fund, pursuant to which the Group had redeemed certain of its investment funds with aggregate carrying amounts of approximately RMB16,807,000 (the "**Redemption**"). As at 30 June 2022, the proceeds from the Redemption was included in other receivables as set out in note 20 and subsequent to the reporting period, the Redemption was completed and the relevant proceeds had been received by the Group. Upon completion of disposal of certain investment funds during the year ended 30 June 2022, amount of gain arising from change in fair value of financial assets through other comprehensive income of approximately RMB5,534,000 was transferred from reserve to accumulated losses.

18. BIOLOGICAL ASSETS

	2022 RMB'000	2021 RMB'000
As at 1 July	**520**	550
Increase due to cultivation	**8,283**	10,813
Realised gain from changes in fair value less costs to sell	**617**	15,331
Decrease due to harvested	**(8,510)**	(26,174)
As at 30 June	**910**	520

	2022 RMB'000	2021 RMB'000
Oranges	**490**	520
Passion fruits	**420**	–
	910	520

Notes:

(a) During the year ended 30 June 2022, the Group harvested approximately 3,406 tonnes (2021: 10,484 tonnes) of saleable oranges. The directors of the Company measured the fair value less costs to sell of oranges at the point of harvest based on market prices as at or close to the harvest dates.

(b) Oranges are harvested annually from December to June and passion fruits are harvested bi-annually during June to August and February to March. The growing produce cultivated by the Agriculture Company were in premature stage as at 30 June 2022, future economic benefit and expected harvest quantity could not be reliably estimated for fair value measurement as this would involve adoption of subjective assumptions, such as weather conditions, natural disaster and effectiveness of fertilisers and pesticides. As such, the fair value of these growing produce at the end of the reporting period could not be measured reliably and no reliable alternative estimates existed to determine their fair value. Therefore, these growing produce with carrying amount of approximately RMB910,000 (2021: RMB520,000) were stated at cost as at 30 June 2022, representing cultivation cost incurred, mainly comprising fertilisers, pesticides and labour costs.

18. BIOLOGICAL ASSETS *(continued)*

The Group is exposed to a number of risks related to its plantation:

(1) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdiction in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

(2) Supply and demand risks

The Group is exposed to risks arising from fluctuations in the price and sales volume of oranges and passion fruits. Where possible the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

(3) Climate and other risks

The Group's orange and passion fruit plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed to minimise those risks, including regular forest health inspections and industry pest and disease surveys.

(4) Price risk

The Group is exposed to price risks arising from changes in orange and passion fruit prices. The Group does not anticipate that orange and passion fruit prices will decline significantly in the foreseeable future. The Group reviews its outlook for orange and passion fruit prices regularly in considering the need for active price risk management.

19. INVENTORIES

	2022 **RMB'000**	2021 RMB'000
Raw materials	**1,023**	994
Finished goods	**18,469**	–
	19,492	994

During the year ended 30 June 2021, the Group recognised inventories write-down of approximately RMB3,000 due to damages of fruits during transportation.

20. TRADE AND OTHER RECEIVABLES

	2022 RMB'000	2021 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 as disclosed in note 17 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 RMB'000	2021 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.

* *For identification purposes only*

20. TRADE AND OTHER RECEIVABLES *(continued)*

Movement in the allowance for ECL of trade receivables is as follow:

	RMB'000
As at 1 July 2020	343
Reversal of impairment losses recognised, net	(272)
As at 30 June 2021 and 1 July 2021	71
Impairment losses recognised, net	133
As at 30 June 2022	**204**

Movement in the allowance for ECL of deposits paid and other receivables is as follow:

	RMB'000
As at 1 July 2020	4,106
Impairment losses recognised, net	167
As at 30 June 2021 and 1 July 2021	4,273
Impairment losses recognised, net	2,405
As at 30 June 2022	**6,678**

The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables for the years ended 30 June 2022 and 2021 are set out in note 5 to the consolidated financial statements.

21. LOAN RECEIVABLES

	2022 RMB'000	2021 RMB'000
Loan receivables *(Note)*	**7,098**	–
Less: Allowance for ECL	**(120)**	–
	6,978	–

Note: On 6 April 2022, the Group entered into a loan agreement with 深圳市恒裕啟揚教育有限公司 (Shenzhen Hengyu Qiyang Education Co., Ltd.*), a company indirectly wholly-owned by Mr. Kung, who is a substantial shareholder of the Company. The loan with principal amount of RMB7,000,000 and carries interest at 6% per annum, repayable in one year and is guaranteed by Mr. Kung. Further details are disclosed in the Company's announcement dated 6 April 2022.

* *For identification purposes only*

21. LOAN RECEIVABLES *(continued)*

Movement in the allowance for ECL of loan receivables is as follow:

	RMB'000
As at 30 June 2021 and 1 July 2021	–
Impairment losses recognised, net	120
As at 30 June 2022	**120**

The Group does not hold any collateral over these balance. As at 30 June 2022, the amount was not yet past due.

Details of impairment assessment of loan receivables for the year ended 30 June 2022 are set out in note 5 to the consolidation financial statements.

22. PREPAYMENTS

	2022 RMB'000	2021 RMB'000
Prepayment for property, plant and equipment *(Note)*	**–**	5,000
Prepayment to suppliers	**5,697**	4,699
Other prepayments	**45**	57
	5,742	9,756

Analysed for reporting purposes as:

	2022 RMB'000	2021 RMB'000
Current assets	**5,742**	4,756
Non-current assets	**–**	5,000
	5,742	9,756

Note: The amount represented prepayment paid as earnest money for acquiring the entire interest of land and various buildings located in Shenzhen of the PRC at a consideration of RMB57 million (the "**Acquisition of Target Land and Properties**"), which would be settled by cash pursuant to a sale and purchase agreement signed on 19 January 2021 between the Group and 高錫武 (Mr. Gao Xiwu*) who, to the best knowledge, information and belief of the Company's directors, after having made all reasonable enquires, is not a connected person of the Company and is a third party independent of the Company and its connected persons in accordance with the Listing Rules. Further details are disclosed in the Company's circular dated 16 March 2021.

The Acquisition of Target Land and Properties was completed on 30 November 2021.

* *For identification purposes only*

23. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash at bank and on hand	**48,100**	167,876

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As at 30 June 2022, the Group's cash and cash equivalents denominated in RMB of approximately RMB1,000 (2021: RMB1,000) were located in Hong Kong which are not subject to the foreign exchange control. The remaining cash and cash equivalents in RMB of approximately RMB18,092,000 (2021: RMB91,867,000) were placed with banks in the PRC.

Cash at bank earns interests at floating rates based on daily bank deposit rates.

24. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the reporting period are set out below:

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
As at 1 July 2020	3,711,195	–	(3,744,956)	(33,761)
Loss for the year	–	–	(12,387)	(12,387)
Other comprehensive loss	–	(8,086)	–	(8,086)
Total comprehensive loss for the year	–	(8,086)	(12,387)	(20,473)
Placing of shares	70,916	–	–	70,916
As at 30 June 2021 and 1 July 2021	**3,782,111**	**(8,086)**	**(3,757,343)**	**16,682**
Loss for the year	**–**	**–**	**(18,202)**	**(18,202)**
Other comprehensive income	**–**	**10,218**	**–**	**10,218**
Total comprehensive income/(loss) for the year	**–**	**10,218**	**(18,202)**	**(7,984)**
As at 30 June 2022	**3,782,111**	**2,132**	**(3,775,545)**	**8,698**

24. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Share capital

	2022 Number of shares	2022 Carrying amount HKD'000	2021 Number of shares	2021 Carrying amount HKD'000
Ordinary shares of HKD0.01 each				
Authorised:				
At beginning of the reporting period	**5,000,000,000**	**50,000**	2,000,000,000	20,000
Increase in authorised share capital *(note (i))*	**–**	**–**	3,000,000,000	30,000
At end of the reporting period	**5,000,000,000**	**50,000**	5,000,000,000	50,000
Issued and fully paid:				
At beginning of the reporting period	**2,499,637,884**	**24,996**	1,249,637,884	12,496
Placing of shares *(note (ii))*	**–**	**–**	1,250,000,000	12,500
At end of the reporting period	**2,499,637,884**	**24,996**	2,499,637,884	24,996
		RMB'000		RMB'000
Equivalent to		**22,831**		22,831

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All ordinary shares rank equally in regard to the Company's residual assets.

Notes:

(i) As disclosed in the Company's circular dated 16 March 2021, the Board proposed to increase the authorised share capital of the Company to HK$50,000,000 divided into 5,000,000,000 shares by the creation of an additional 3,000,000,000 shares.

The increase in authorised share capital was approved by way of an ordinary resolution passed by the shareholders of the Company at a special general meeting held on 8 April 2021.

(ii) As disclosed in the Company's circular dated 19 January 2021, the Company and Cinda International Securities Limited (the "**Placing Agent**") entered into a conditional placing agreement, pursuant to which the Placing Agent has conditionally agreed to procure not less than six placees on a best effort basis to subscribe for up to a maximum of 1,250,000,000 placing shares at the placing price of HK$0.08 per share (the "**Placing**").

The Placing was completed on 19 April 2021. The details of intended use of net proceeds of approximately HK$94.7 million (equivalent to approximately RMB81.4 million) are set out in the section headed "Use of proceeds" in the "Letter from the Board" of the Company's circular dated 16 March 2021.

24. CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Dividends

No dividend has been paid, declared or proposed by the Company during/for the year ended 30 June 2022 (2021: Nil).

(d) Capital management

The Group manages its capital to ensure that the Group has sufficient liquidity to support the operation and development while maximising the value of shareholders. The Group's overall strategy remains unchanged from the prior year.

The Group regards total equity presented on the face of the consolidated statement of financial position as capital for capital management purpose.

Management of the Group reviews its capital structure periodically by assessing budgets of major projects taking into account the provision of funding. The Group is not subject to externally imposed capital requirements.

25. TRADE AND OTHER PAYABLES

	2022 RMB'000	2021 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 深圳市金龍空調電器有限公司 (Shenzhen Jinlong Air Conditioning Electric Co., Ltd.*) (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.

* *For identification purposes only*

25. TRADE AND OTHER PAYABLES *(continued)*

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 RMB'000	2021 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

26. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Contract liabilities arising from:		
Sale of various fruits	**164**	39,411

As at 1 July 2020, the Group did not have contract liabilities.

Contract liabilities arise when the Group receives deposit at the start of a contract and until the revenue recognised on the relevant contract exceeds the amount of the deposit received.

The contract liabilities primarily relate to the advance consideration received from the customers for trading of fruits, revenue from which is recognised when the performance obligation is satisfied by delivering the fruits to the customers.

The Group classifies these contract liabilities as current because the Group expects them to be settled in normal operating cycle within 12 months after the end of the reporting period.

27. LEASE LIABILITIES

	2022 Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within one year	46	50
After one year but within two years	42	44
Less: Future finance cost		(6)
Present value of lease liabilities		88
Less: Amount due for settlement within 12 months shown under current liabilities		(46)
Amount due for settlement after 12 months shown under non-current liabilities		42

The weighted average incremental borrowing rate applied to lease liabilities is approximately 7.59% as at 30 June 2022.

28. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme (the "**MPF Scheme**") under the MPFSO (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately.

Pursuant to the relevant labour laws, rules and regulations in the PRC, the Group participates in defined contribution retirement benefit scheme (the "**Retirement Benefit Scheme**") organized by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the year. Contributions to the Retirement Benefit Scheme vest immediately.

During the years ended 30 June 2022 and 2021, the Group had no forfeited contributions under the MPF Scheme and the Retirement Benefit Scheme utilised to reduce the existing levels of contributions. As at 30 June 2022 and 2021, there was no forfeited contribution under the MPF Scheme and the Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years.

29. CAPITAL COMMITMENTS

	2022 RMB'000	2021 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, 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, 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 (the "**Acquisition**") 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 and further details are set out in note 33.

30. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following material transactions with related parties during the year:

(a) *Balances with related parties*

Details of the loan receivables, amount due to a related company and amount due to a director of the Company at the end of reporting period are set out in notes 21 and 25.

(b) *Office accommodation arrangement*

Office accommodation charges disclosed in note 10(b) included a sum of approximately RMB2,252,000 (2021: Nil) in respect of a short-term arrangement for the provision of office accommodation and related facilities by a company of which (i) a substantial shareholder of the Company is the owner; and (ii) a member of the key management personnel of the Group is a director.

(c) *Compensation of key management personnel*

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	3,474	4,462
Contributions to defined contribution retirement plans	30	30
	3,504	4,492

Total remuneration is included in "Staff costs" (see note 10(a)).

31. PARTICULAR OF SUBSIDIARIES

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Paid up/ issued/ registered capital	Proportion of ownership interest/voting power held by the Company 2022	2021	Principal activities
Directly held:						
New Congress Holdings Limited	BVI	Hong Kong	United States dollar ("**USD**")1	**100%**	100%	Investment holding
Asian Citrus Management Company Limited	BVI	Hong Kong	USD1	**100%**	100%	Investment holding
Golden Rain Group Limited	BVI	Hong Kong	USD100	**100%**	100%	Investment holding
Team Luck Develop Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	Investment holding
Richfield Enterprise Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	Investment holding
Jet Bright Group Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	Investment holding
Fortune Richmate Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	General commercial
One Heart Holdings Limited	BVI	Hong Kong	USD100	**100%**	100%	Investment holding
Advance Honour Holdings Limited	BVI	Hong Kong	USD1	**100%**	100%	Investment holding
Indirectly held:						
Asian Citrus (H.K.) Company Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	General commercial
Victoria Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	General commercial
Chance Full (HK) Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	General commercial
Bright Treasure Group Holdings Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	General commercial
Golden City Worldwide Limited	Hong Kong	Hong Kong	HKD1	**100%**	100%	General commercial

31. PARTICULAR OF SUBSIDIARIES *(continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Paid up/ issued/ registered capital	Proportion of ownership interest/voting power held by the Company 2022	2021	Principal activities
Eternal Rich Worldwide Limited	Hong Kong	Hong Kong	HKD1	100%	100%	General commercial
Top Trend Corporation Limited	Hong Kong	Hong Kong	HKD1	100%	100%	General commercial
Asia Wealthy Link Limited	Hong Kong	Hong Kong	HKD1	100%	100%	General commercial
Basic Cheer Limited	Hong Kong	Hong Kong	HKD1	100%	100%	General commercial
Surplus Mark Limited	Hong Kong	Hong Kong	HKD1	100%	100%	General commercial
廣西合浦冠華農業有限公司Δ (Guangxi Hepu Guanhua Agriculture Co., Ltd.*)	PRC	PRC	RMB 4,190,000	100%	100%	Planting, cultivation and sale of fruits
深圳冠華水果商城有限公司Δ (Shenzhen First Class Fruits Company Limited)	PRC	PRC	RMB 1,000,000	100%	100%	Distribution of fruits
深圳市冠佳利實業有限公司Δ (Shenzhen Guanjiali Industrial Limited*)	PRC	PRC	RMB 100,000,000	100%	100%	Distribution of fruits
深圳市晉達實業有限公司Δ (Shenzhen Jinda Industrial Limited*)	PRC	PRC	RMB 2,000,000	100%	–	Investment holding
深圳市金龍建設工程有限公司 (Shenzhen Jinlong Construction Engineering Co., Ltd.*)	PRC	PRC	RMB 10,000,000	100%	–	Distribution and installation of air-conditioners

Δ Established in the PRC as wholly foreign-owned enterprise

* For identification purposes only

The above table lists the subsidiaries of the Group which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the reporting period.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 RMB'000	2021 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	1	–
Interests in subsidiaries	1	1
	2	1
Current assets		
Other receivables	17	266
Amounts due from subsidiaries	77,522	5,132
Cash and cash equivalents	29,102	75,623
	106,641	81,021
Total assets	106,643	81,022
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	22,831	22,831
Reserves	5,352	16,682
	28,183	39,513
LIABILITIES		
Current liabilities		
Other payables and accruals	2,378	5,099
Amounts due to subsidiaries	75,952	36,283
Amount due to a director	130	127
	78,460	41,509
Total equity and liabilities	106,643	81,022

The financial statements were approved and authorised for issue by the board of directors on 30 September 2022 and are signed on its behalf by:

Ng Ong Nee *Executive Director*	**Ng Hoi Yue** *Executive Director*

33. 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 *(Note 15)*	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

33. ACQUISITION OF A SUBSIDIARY *(continued)*

Consideration transferred (continued)

	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 RMB19,783,000. 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.

34. MAJOR NON-CASH TRANSACTIONS

The Group had the following major non-cash transactions during the year ended 30 June 2022, which were not reflected in the consolidated statement of cash flows:

(a) Right-of-use assets and lease liabilities of approximately RMB103,000 and RMB103,000 respectively recognised in respect of a lease agreement for a term of twenty-six months.

(b) Prepayment for purchase of property, plant and equipment of RMB5,000,000 transferred to land use rights under right-of-use assets.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified as cash flows from financing activities in the Group's consolidated statement of cash flows.

	Lease liabilities RMB'000
As at 1 July 2020	1,197
Financing cash flows	(1,114)
Finance costs	23
Exchange alignment	(106)
As at 30 June 2021 and 1 July 2021	**–**
Financing cash flows	**(17)**
Addition	**103**
Finance costs	**2**
As at 30 June 2022	**88**

36. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation.

37. 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 report.

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised to issue by the board of directors of the Company on 30 September 2022.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Revenue	**143,572**	195,618	451,756	52,822	54,249
(Loss)/profit before tax	**(19,026)**	7,319	33,078	541,616	(221,792)
Income tax expense	**1,670**	3,327	8,306	–	–
(Loss)/profit for the year	**(20,696)**	3,992	24,772	541,616	(221,792)

	As at 30 June				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Non-current assets	**118,364**	72,886	76,995	82,494	96,822
Current assets	**112,227**	193,439	82,095	37,241	70,151
Total assets	**230,591**	266,325	159,090	119,735	166,973
Non-current liabilities	**42**	–	–	–	–
Current liabilities	**29,029**	51,797	29,358	14,339	600,229
Capital and reserves	**201,520**	214,528	129,732	105,396	(433,256)

COMPANY INFORMATION

DIRECTORS

Executive Directors
Mr. NG Ong Nee *(Chairman and Chief Executive Officer)*
Mr. NG Hoi Yue *(Deputy Chief Executive Officer)*

Non-executive Directors
Mr. James Francis BITTL
Mr. HE Xiaohong

Independent Non-executive Directors
Mr. LIU Ruiqiang
Mr. LAI Zheng
Mr. WANG Tianshi
Ms. LIU Jie

COMPANY SECRETARY

Miss NG Ling Ling

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