



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

(incorporated in Bermuda with limited liability)
(Stock Code: 73)

2022/23
ANNUAL REPORT

** For identification purposes only*

CONTENTS

Financial Highlights	2
Chairman's Statement	3
Management Discussion and Analysis	5
Directors and Senior Management Profile	11
Directors' Report	13
Corporate Governance Report	23
Environmental, Social and Governance Report	33
Independent Auditor's Report	59
Consolidated Statement of Profit or Loss and Other Comprehensive Income	65
Consolidated Statement of Financial Position	67
Consolidated Statement of Changes in Equity	69
Consolidated Statement of Cash Flows	71
Notes to the Consolidated Financial Statements	73
Five Year Financial Summary	159
Company Information	160

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

	For the year ended 30 June		% change
	2023 (RMB Million)	2022 (RMB Million)	
Reported financial information			
Revenue	110.0	143.6	-23.4
Other income	5.2	7.6	-31.6
Loss before income tax	(58.9)	(19.0)	210.0
Loss attributable to the owners of the Company	(58.7)	(20.7)	183.6
Basic loss per share attributable to the owners of the Company (RMB)	(0.023)	(0.008)	187.5

FINANCIAL POSITION

	As at	As at	% change
	30 June 2023 (RMB Million)	30 June 2022 (RMB Million)	
Total assets	188.1	230.6	-18.4
Net current assets	59.6	83.2	-28.4
Cash and cash equivalents	26.1	48.1	-45.7
Total equity	148.0	201.5	-26.6
Current ratio	2.72	3.87	-29.7

CHAIRMAN'S STATEMENT

On behalf of the board ("**Board**") of directors ("**Directors**"), I am pleased to present the latest development, progress and annual results of Asian Citrus Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2023 (the "**Year**") to the shareholders of the Company.

REVIEW

During the Year, although a number of countries have relaxed their lockdown and quarantine policies, the People's Republic of China (the "**PRC**") continued to impose stringent preventive and control measures to cope with the emergence of COVID-19 cases before December 2022. The plantation and fruit distribution industry in the PRC continued to be affected by the factors including but not limited to lockdown measures, low consumer sentiment and disrupted logistic services in 2022. Despite the PRC relaxed its COVID-19 restrictions and measures in December 2022 which was a good signal for the recovery of plantation and fruit distribution industry, COVID-19 cases in late 2022 and early 2023 has also negatively affected the normal operation of many companies.

The Group inevitably affected by the prolonged COVID-19 pandemic directly and indirectly. In particular, the Group's farmland in Guangxi was directly affected by the outbreak in 2022 as the lockdown measures imposed by the local government hindered the farmers from attending the farmlands to spray pesticide and maintain the citrus on a regular basis. After the relaxation of lockdown measures in late 2022, many farmers had to quarantine after testing COVID-19 positive and were unable to attend to the farmlands. As a result, the citrus trees could not receive proper maintenance and were severely affected by pests and diseases. Despite the Group's effort in revitalising the affected citrus trees in 2023, a number of citrus trees were remained in poor condition. Under these circumstances, the harvest and quality of the Group's oranges was unsatisfactory.

In order to ease the reliance of the Group on citrus fruits, the Group has continued to explore the plantation of different kinds of fruits. During the Year, the Group expanded the planting of passion fruits which provided a new source of revenue for the Group. The Group will endeavour to diversify the product portfolio and increase the sources of revenue of the Group.

In respect of the distribution of various fruits business ("**Fruit Distribution Business**"), taking account into the risks and uncertainties the Group is exposed to in the post-COVID-19 era and the cost effectiveness, the Group has put its focus on the local market. The Group acquired a PRC fruit distribution company to materialize it during the Year, despite the Group was inevitably suffering from the pandemic, leading to decline in revenue.

The Group commenced the distribution and installation of air-conditioners business ("**Air-conditioners Distribution Business**") in 2022, which started to generate revenue for the Group. During the Year, the business achieved preliminary success as the revenue generated from the Air-conditioners Distribution Business contributed substantial revenue to the Group. Having established the business presence in Meizhou, the Air-conditioners Distribution Business has expanded into the market in Shenzhen in 2023. As air-conditioners are necessity for households in the PRC, the demand for air-conditioners was generally less affected by the outbreak of pandemic and respective lockdown measures. As such, we believe the Air-conditioners Distribution Business is a good diversification of our business and has a promising prospect.

Taking into account of the above factors, the Group recorded revenue of approximately RMB110.0 million for the Year, representing a decrease of approximately 23.4% as compared to the revenue of approximately RMB143.6 million for the year ended 30 June 2022. The Group recorded a net loss of approximately RMB58.7 million for the Year, representing an increase in loss of approximately RMB38.0 million as compared to the year ended 30 June 2022 principally attributable to the impairment loss on property, plant and equipment of approximately RMB32.4 million for the Year. The Company will continue to strive to enhance the revenue and the shareholders value of the Company in the foreseeable future.

CHAIRMAN'S STATEMENT

PROSPECTS

The planting, cultivation and sale of agricultural produce business (“**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 deploying procedures to improve its plantation technology and processes at the plantation, such as cost control and productivity management. Looking forward with the relaxation of COVID-19 limitations, lockdown and quarantine measures in the PRC in 2023, the Company considers that the farmers will be able to return to the farmlands and the performance of the plantation business is expected to recover.

The Fruit Distribution Business of the Group involves distribution of various types of high quality fruits in the PRC by sourcing from quality suppliers and distributing to the customers. The Group continues to receive recurring orders from various customers and cooperate with its suppliers for its Fruit Distribution Business. In addition, the demand for high-quality food including premium fruits is anticipated to gradually recover, which will be favorable to the Fruit Distribution Business of the Group. The Group will continue to actively approach various domestic suppliers for sourcing quality fruits to achieve a stable supply and to source new kind of fruits for the premium quality fruits portfolio.

In respect of the Air-conditioners Distribution Business and after-sale services, the demand for air-conditioners is expected to increase with the climate change. On 3 February 2023, the Group has entered into a framework agreement with its supplier to secure a stable supply of air-conditioners to meet customer demand. As such, we are optimistic that the Air-conditioners Distribution Business will grow steadily in 2023 and 2024.

With the progress and efforts that the Group has made in the diversification of its business portfolio and the expansion of the market presence in the PRC, the Group will continue to strengthen the core competence and improve the overall performance upon the gradual recovery of 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 2023/2024.

Ng Ong Nee
Chairman

28 September 2023

MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 30 June 2023, the principal business activities of the Group include (i) the Plantation Business; (ii) the Fruit Distribution Business and (iii) the Air-conditioners Distribution Business, which were operating in the PRC.

OUTLOOK

2023/2024 will continue to be a challenging period for the fruit planting and trading industry in the PRC. The slowing economy in the PRC, coupled with the cautious consumption sentiment in the PRC and fluctuations in the price of various commodities in the world after the pandemic, is expected to continue to create uncertainties for local demand and price of fruits. As such, the Group will continue to adopt a cautious approach for its Plantation Business and Fruit Distribution Business for the future.

Meanwhile, the successful development of the Air-conditioners Distribution Business has provided an additional revenue stream for the Company and a foundation to further penetrate the market. With the air-conditioners becoming a necessity for households in the PRC, the demand for air-conditioners was generally less affected by the overall sentiment of the consumers. As such, we are optimistic that the Air-conditioners Distribution Business will grow steadily in 2023 and 2024.

BUSINESS REVIEW

Currently, the agricultural produces of the Plantation Business are planted and cultivated by the Group at the Hepu Plantation located in Guangxi, the PRC (the “**Hepu Plantation**”) and subsequently wholesaled to distributors in the PRC. During the year ended 30 June 2023, the Group’s farmland in Guangxi was directly affected by the outbreak in 2022 as the lockdown measures imposed by the local government hindered the farmers from attending the farmlands to spray pesticide and maintain the citrus on a regular basis. After the relaxation of lockdown measures in late 2022, many farmers had to quarantine after testing COVID-19 positive and were unable to attend to the farmlands. As a result, the citrus trees could not receive proper maintenance and were severely affected by pests and diseases. As such, the harvest and quality of the Group’s agricultural produces was unsatisfactory.

In respect of the Fruit Distribution Business, 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 at a premium price. The operation was adversely affected by COVID-19 and the corresponding restrictive and social distancing measures during the Year.

Despite the challenging operating environment, the Group has continued to procure additional 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 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 businesses.

The Air-conditioners Distribution Business, which commenced in 2022, is principally engaged in the distribution of air-conditioners and after-sale services including installation and maintenance of air-conditioners in the PRC. The Air-conditioners Distribution Business has achieved preliminary success in gaining a foothold in the industry as the Group recorded revenue of approximately RMB53.8 million for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group recorded total revenue of approximately RMB110.0 million (2022: RMB143.6 million) for the year ended 30 June 2023.

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		% change
	2023 RMB'000	2022 RMB'000	
Plantation Business	664	8,510	-92.2
Fruit Distribution Business	55,615	123,155	-54.8
Air-conditioners Distribution Business	53,750	11,907	351.4
Total	110,029	143,572	-23.4

For the year ended 30 June 2023, the Group recorded revenue of approximately RMB0.7 million (2022: RMB8.5 million) from the Plantation Business in the Hepu Plantation. In the second half of the year of 2022, due to the lockdown measures imposed by the local government in response to the COVID-19, the citrus trees and passion fruits trees did not receive proper maintenance and attendance in Guangxi. Despite the fact that farmers were able to return to farmland after the lifting of the lockdown measures in 2023, a number of citrus trees have already infected with diseases and insect and could not be revitalised even with the Group's best effort. As such, the quality of the oranges and passion fruits of the Group was unsatisfactory and the harvest quantity decreased significantly. Accordingly, the revenue from the Plantation Business for the year ended 30 June 2023 decreased.

In respect of the Fruit Distribution Business, the Group recorded revenue of approximately RMB55.6 million (2022: RMB123.2 million) for the year ended 30 June 2023, representing a decrease of approximately 54.8% as compared to last year. With the COVID-19 prevention and local lockdown arrangements in late 2022, staff of the Group were generally under work-from-home arrangement, which caused practical difficulties for the Group to deploy sufficient manpower until the relaxation of the relevant policies in early 2023. As such, the revenue generated from the Fruit Distribution Business for the year ended 30 June 2023 decreased significantly as compared to the year ended 30 June 2022.

Regarding the Air-conditioners Distribution Business, the Group recorded revenue of approximately RMB53.8 million (2022: RMB11.9 million), representing an increase of approximately 351.4% as compared to last year. Having established the business presence in Meizhou, the Air-conditioners Distribution Business has expanded into the market in Shenzhen in 2023. The Group has continued to receive new orders of air-conditioners from its customers and successfully penetrated the market. As such, the revenue generated from the Air-conditioners Distribution Business increased to approximately RMB53.8 million for the year ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Other income

For the year ended 30 June 2023, the Group recorded other income of approximately RMB5.2 million (2022: RMB7.6 million), which mainly consists of management income generated from various business cooperation agreements with independent farmers.

Impairment loss on property, plant and equipment

For the year ended 30 June 2023, the Group recorded impairment loss on property, plant and equipment of approximately RMB32.4 million (2022: Nil). In the second half of the year of 2022, due to the lockdown measures imposed by the local government in response to the outbreak of COVID-19, the citrus trees and passion fruits did not receive proper maintenance and attendance in Guangxi. Despite the fact that farmers were able to return to farmland after the lifting of the lockdown measures in 2023, a number of citrus trees have already infected with diseases and insect and could not be revitalised even with the Group's best effort. As such, the Group provided the impairment loss on the bearer plants and property, plant and equipment (other than bearer plants) in relation to the Plantation Business cash generating unit ("CGU") amounting to approximately RMB28.0 million (2022: Nil) and approximately RMB4.4 million (2022: Nil), respectively, after taking into account the recoverability of the respective values based on cash flow projections of the carrying amounts of the Plantation Business CGU was low.

Changes in fair value of investment properties

For the year ended 30 June 2023, the Group recorded changes in fair value of investment properties of approximately RMB0.5 million (2022: Nil), which was mainly attributable to the decrease in the appraised value of a commercial property of the Group located in the PRC. Such commercial property was previously occupied by the Group and leased out by the Group to an independent third party since 1 September 2022.

Changes in fair value of financial assets at fair value through profit or loss

For the year ended 30 June 2023, the Group recorded decrease in fair value of financial assets at fair value through profit or loss of approximately RMB1.1 million (2022: Nil), which was mainly attributable to the unrealised loss of the unlisted notes in the investment account set up by the Group in a securities company in Hong Kong.

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

For the year ended 30 June 2023, realised loss arising from change in fair value of the biological assets less costs to sell, which represented the net decrease of fair value of the oranges and passion fruits when the Group's oranges and passion fruits became mature and were harvested, amounting to realised loss of approximately RMB0.1 million (2022: realised gain of approximately RMB0.6 million) was recognised. The decrease was mainly attributable to unfavourable harvest quantity and quality of the Group's orange and passion fruits during the year due to the lack of maintenance as a result of the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in Guangxi in the second half of 2022.

Staff costs

For the year ended 30 June 2023, the staff costs of the Group amounted to approximately RMB11.8 million (2022: RMB8.4 million). The increase in staff costs by approximately 40.5% was mainly attributable to the increase in the headcount of the Group in relation to the expansion of the Air-conditioners Distribution Business during the year ended 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Distribution and other operating expenses

For the year ended 30 June 2023, the distribution and other operating expenses of the Group amounted to approximately RMB1.2 million (2022: RMB6.6 million), which mainly comprised of service charges for import of fruits and transportation expenses incurred for the delivery of fruits and air-conditioners. The decrease was mainly attributable to the decrease in demand of imported fruits for the Fruit Distribution Business during the year ended 30 June 2023.

General and other administrative expenses

For the year ended 30 June 2023, the general and other administrative expenses of the Group amounted to approximately RMB12.3 million (2022: RMB16.7 million), which comprised primarily of office administration expenses, legal and professional fees, research and development expenses and plantation security charges. The decrease is mainly attributable to reduction in loss on written-off of property, plant and equipment and the absence of the termination fee paid to a farmer for repossession of certain farmland for cultivation of fruits by the Group under the Plantation Business in the current year.

Income tax credit/expense

The Group recorded an income tax credit for the year ended 30 June 2023 of approximately RMB0.2 million as compared to our income tax expense for the year ended 30 June 2022 of approximately RMB1.7 million, which was mainly attributable to the reversal of overprovision of income tax expense in prior years of approximately RMB0.3 million.

Loss for the year attributable to the owners of the Company

For the year ended 30 June 2023, loss attributable to the owners of the Company was approximately RMB58.7 million (2022: RMB20.7 million). The increase in net loss for the year mainly due to (i) the impairment loss of approximately RMB32.4 million on property, plant and equipment; and (ii) the decrease in the revenue from the Plantation Business and Fruit Distribution Business.

RISK FACTORS

The Group's business is exposed to the risk factors as set out below.

Climate changes and natural disasters

The Group's orange and passion fruits 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 approximately 46,000 mu farmland 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 China'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 with the owners of the farmland 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.

DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: Nil).

CAPITAL

As at 30 June 2023, the total number of issued shares of the Company was 2,499,637,884 shares (2022: 2,499,637,884 shares).

LIQUIDITY AND FINANCE RESOURCES

Liquidity

As at 30 June 2023, the Group had liabilities of approximately RMB3.4 million (2022: Nil) in respect of bank borrowings. The net cash position of the Group was approximately RMB26.1 million (2022: RMB48.1 million).

As at 30 June 2023, the current ratio and quick ratio were 2.72 and 2.30 respectively (2022: 3.87 and 3.16 respectively).

Funding and treasury policy

During the year ended 30 June 2023, the Group had sufficient funds for the operation and would continue to adopt stringent cost control and conservative treasury policies in the running the businesses.

Charge on assets

As at 30 June 2023, the Group's prepayment of approximately RMB4.6 million (2022: Nil) was used as security for obtaining bank borrowings of RMB3.4 million (2022: Nil).

Net Gearing Ratio

The net gearing ratio of the Group (bank loans less cash and cash equivalents, divided by total equity multiplied by 100%) as at 30 June 2023 was 15.3% (2022: Nil).

Capital commitments

As at 30 June 2023, the Group did not have any capital commitments (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risk primarily through its cash and cash equivalents as well as equity securities listed in Hong Kong and the United States 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 and United States 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 intend 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 2023, the Group had 59 (2022: 47) permanent employees.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 30 June 2023 (2022: Nil).

OTHER SIGNIFICANT EVENTS

On 3 February 2023, 深圳市金龍建設工程有限公司 (Shenzhen Jinlong Construction Engineering Co., Ltd.*) ("**Jinlong Construction**"), an indirectly wholly-owned subsidiary of the Company, as purchaser, and 深圳市金龍空調電器有限公司 (Shenzhen Jinlong Air Conditioning Electric Co., Ltd.*) ("**JAC**"), as seller entered into a framework agreement (the "**Framework Agreement**"), pursuant to which Jinlong Construction has conditionally agreed to purchase, and JAC has conditionally agreed to sell the electrical appliances (including air conditioners) during the period from the date of the Framework Agreement to 30 June 2025. For further details of the above the continuing connected transaction, please refer to announcement of the Company dated 3 February 2023.

On 16 February 2023, 深圳市冠華水果商城有限公司 (Shenzhen First Class Fruits Company Limited*) (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company in the PRC, entered into an equity transfer agreement with Chen Xiaochun and Wu Guoqian (collectively, the "**Vendors**") and 陝西品尚農產品貿易有限公司 (Shaanxi Pinshang Agricultural Products Trading Co., Ltd.*) ("**Shaanxi Pinshang**"), pursuant to which the Purchaser has agreed to purchase and the Vendors have agreed to sell the entire equity interest in the Shaanxi Pinshang at a consideration of RMB4,500,000 (the "**Acquisition**"). Further details are disclosed in the Company's announcements dated 16 February 2023 and 28 February 2023.

In addition, the Company proposed to implement rights issue on the basis of one rights share for every two existing shares at a subscription price of HK\$0.035 per rights share. The proposed right issue has not yet completed as at the date of this report. Details of the rights issue were set out in the Company's announcements dated 11 September 2023 and 25 September 2023.

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DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTOR

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

Mr. NG Ong Nee, aged 70, joined the Board 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.

NON-EXECUTIVE DIRECTOR

Mr. James Francis BITTL

Mr. James Francis BITTL, aged 37, 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Mr. LIU Ruiqiang, aged 59, 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 深圳市義達山河稅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, the Nomination Committee and the Remuneration Committee*

Mr. LAI Zheng, aged 40, 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.

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DIRECTORS AND SENIOR MANAGEMENT PROFILE

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

Mr. WANG Tianshi, aged 39, 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 42, 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

Mr. TSE Chi Hong has been appointed as the Company Secretary with effect from 3 July 2023. He has 15 years of experience in accounting, corporate finance and company secretarial matters. Mr. Tse obtained a Bachelor of Business Administration (Honours) in Accountancy from the Hong Kong Polytechnic University. He is a member of the Hong Kong Institute of Certified Public Accountants and an associate member of The Hong Kong Chartered Governance Institute.

* *For identification purposes only*

DIRECTORS' REPORT

The Board is pleased to present their report on the affairs of the Company, together with the audited consolidated financial statements of the Group for the year ended 30 June 2023 (the “**Consolidated Financial Statements**”).

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 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 3 to 10 of this annual report.

RESULTS

The Group’s loss for the year and the Group’s financial position at the date are set out in the audited consolidated financial statements on page 65 to 68 of this annual report.

DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 30 June 2023 (2022: 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 159 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 69 to 70, and note 38(b) to the Consolidated Financial Statements respectively. As at 30 June 2023, no reserves of the Company were available for distribution (2022: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 14 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.

DIRECTORS' REPORT

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 2023.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 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*) (*resigned on 30 June 2023*)

Non-executive Directors

Mr. James Francis Bittl

Mr. He Xiaohong (*retired on 30 December 2022*)

Independent Non-executive Directors ("INEDs")

Mr. Liu Ruiqiang

Mr. Lai Zheng

Mr. Wang Tianshi

Ms. Liu Jie (*appointed on 11 July 2022*)

Changes in the Composition of the Board and other position of Directors

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

Ms. Liu Jie was appointed as an independent non-executive director of the Company on 11 July 2022.

Mr. He Xiaohong retired as a non-executive director of the Company effective from the conclusion of the annual general meeting ("**AGM**") of the Company held on 30 December 2022.

Mr. Ng Hoi Yue resigned as an executive director and the deputy chief executive officer of the Company on 30 June 2023.

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.

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 Ong Nee, Mr. James Francis Bittl and Mr. Liu Ruiqiang will retire from office, and being eligible offer themselves for re-election, at the forthcoming AGM.

DIRECTORS' REPORT

Details of the Directors' service contracts are described in the "Corporate Governance Report" on page 29 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 Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 2023, 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 Director/ Chief Executive	Class of shares	Capacity/Nature of Interest	Number of Shares	Approximate percentage of the Company's total issued share capital	Long position/ Short position/ Lending pool
Mr. Ng Ong Nee	Ordinary shares	Interests in controlled corporation	179,252,394	7.17%	Long position

Note: The corporate interests of 179,252,394 shares are owned by Changjiang Tying Management Company Limited ("**Changjiang Tying**"), 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 2023 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 2023, 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:

DIRECTORS' REPORT

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

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.

DIRECTORS' REPORT

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 excess 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 2023 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 2023, 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 2023 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(l) and 9 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 2023, 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 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		<u>94,700</u> (100.0%)	<u>83,700</u> (88.4%)	<u>11,000</u> (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 2023 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 2023, 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

Continuing Connected Transactions

On 3 February 2023, Jinlong Construction and JAC entered into the Framework Agreement, pursuant to which Jinlong Construction has conditionally agreed to purchase, and JAC has conditionally agreed to sell the electrical appliances (including air conditioners) during the period from the date of the Framework Agreement to 30 June 2025. The relevant cap for each of the period from 3 February 2023 to 30 June 2023, year ending 30 June 2024 and year ending 30 June 2025 were set at RMB33,000,000, RMB64,000,000 and RMB68,000,000 respectively.

JAC was owned as to approximately 37.17% by Mr. Kung Hoi Pang, approximately 27.08% by Ms. Lin Dan Na, approximately 23.25% by Transamerica Trading (HK) Co. (which in turn is owned by Mr. Kung Ting Yin and Mr. Kung Ting Keung), approximately 9.62% by 深圳市金龍實業股份有限公司工會委員會 (Trade Union Committee of Shenzhen Jinlong Industrial Co., Ltd.*) and approximately 2.88% by Guangdong International Trust and Investment Corporation Shenzhen Branch. Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung are the relatives of Mr. Kung Chak Ming (a substantial shareholder of the Company). As such, JAC is a majority-controlled company (as defined in the Listing Rules) of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung, and is a connected person of the Company.

For further details of the above the continuing connected transaction, please refer to announcement of the Company dated 3 February 2023.

The purchase amount under the Framework Agreement for the period from 3 February 2023 to 30 June 2023 was approximately RMB9,945,000.

Details of the Group's related party transactions are set out in note 34 to the Consolidated Financial Statements in accordance with the applicable Hong Kong Financial Reporting Standards for preparing these financial statements. Save as disclosed above, none of the related party transactions constitutes a discloseable connected transaction or a continuing connected transaction under Chapter 14A of the Listing Rules. It is confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transaction, and confirmed the transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

* For identification purposes only

DIRECTORS' REPORT

Moore CPA Limited ("**Moore Hong Kong**"), the auditor of the Company, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Moore Hong Kong has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above and confirming that nothing has come to its attention that causes them to bring to the attention of the Board in accordance with Rule 14A.56 of the Listing Rules. A copy of the above auditor's letter has been provided by the Company to the Stock Exchange in accordance with Rule 14A.57 of the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers for the year ended 30 June 2023 accounted for approximately 54.5% of the Group's total sales and sales to the Group's largest customer amounted to approximately 32.5% thereof.

Purchases from the Group's five largest suppliers for the year ended 30 June 2023 accounted for approximately 68.4% of the Group's total purchases and purchases from the Group's largest supplier amounted to approximately 32.8% thereof.

Save for JAC being one of the Group's five largest suppliers, 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 2023.

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 23 to 32 of this annual report.

EMOLUMENT POLICY

As at 30 June 2023, the Group had 59 (30 June 2022: 47) 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 10(a) and 10(b) to the Consolidated Financial Statements and in the corporate governance report on page 29 of this annual report.

SIGNIFICANT INVESTMENTS HELD

As at 30 June 2023, the Group did not hold any investment in an investee company with a value of 5% of above of its total assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Saved for the acquisition of Shaanxi Pinshang on 16 February 2023 as disclosed in note 33(a) to the Consolidated Financial Statements, there were no material acquisitions and disposal subsidiaries, associates and joint ventures during the year ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at the date of this annual report, the Group did not have any plans for material investment and capital assets in the coming financial year.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are provided in note 39 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 auditor 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 2023.

DIRECTORS' REPORT

INDEPENDENT AUDITOR

The Consolidated Financial Statements were audited by Moore Hong Kong which will retire at the forthcoming AGM. A resolution will be proposed at such meeting to re-appoint Moore Hong Kong as independent auditor of the Company and authorise the Board to fix its remuneration.

By order of the Board

Ng Ong Nee
Executive Director

28 September 2023

James Francis Bittl
Non-executive Director

28 September 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

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

During the year ended 30 June 2023, the Company has complied with the Code Provisions of the CG Code, except for the following deviations:

Code Provision C.2.1 of Part 2 of the CG Code

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.2.7 of Part 2 of the CG Code

Code provision C.2.7 of part 2 of the CG Code provides that the Chairman should at least annually hold meetings with the INEDs without the presence of other directors. During the year ended 30 June 2023, no meeting was held between Mr. Ng Ong Nee, the Chairman, and the INEDs without the presence of other Directors due to business engagements. Since the INEDs have communicated and discussed with the Chairman directly from time to time to share their view on the Company's affairs, therefore, the Company considers that there were sufficient channels and communication for discussion of the Company's affairs between the Chairman and the INEDs.

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 2023.

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 2023, the Board comprised six members, including one Executive Director, one Non-executive Director and four INEDs, as follows:

Executive Director

Mr. Ng Ong Nee (*Chairman and Chief Executive Director*)

Non-executive Director

Mr. James Francis Bittl

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 11 to 12 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 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.

For the purpose of implementation of the board diversity policy, the following measurable objectives were adopted:

- (A) at least one of members of the Board shall be female;
- (B) at least one-third of the members of the Board shall be independent non-executive Directors;
- (C) at least one of the members of the Board shall have obtained accounting or other professional qualifications;
- (D) at least 75% of the members of the Board shall have more than 5 years of experience in the industry he/she is specialised in; and
- (E) at least two of the members of the Board shall have PRC-related working experience.

The measurable objectives under the above board diversity policy have been achieved during the Year.

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the end of reporting period:

	Female	Male
Board	16% (1)	84% (5)
Senior management*	16% (1)	84% (5)
Other employees	34% (18)	66% (35)
Overall workforce	32% (19)	68% (40)

* Senior management comprises Directors only

During the reporting period, the Board was not aware of any mitigating factors or circumstances which make achieving gender diversity across the workforce (including senior management) more challenging or less relevant.

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.

CORPORATE GOVERNANCE REPORT

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/her duties.

Attendance of Meetings

The attendance record of each Director at the board meetings, board committee meetings and the general meeting of the Company held during the year ended 30 June 2023 is set out in the table below:

Name of Directors	Board Meeting	Audit Committee Meeting (Attendance/Number of Meetings)	Nomination Committee Meeting	Remuneration Committee Meeting	Annual General Meeting
<i>Executive Directors:</i>					
Mr. Ng Ong Nee (Chairman and Chief Executive Officer)	4/15	N/A	N/A	1/2	1/1
Mr. Ng Hoi Yue (Deputy Chief Executive Officer) (resigned on 30 June 2023)	15/15	N/A	N/A	N/A	1/1
<i>Non-executive Directors:</i>					
Mr. James Francis Bittl	10/15	N/A	N/A	N/A	1/1
Mr. He Xiaohong (retired on 30 December 2022)	6/6	N/A	N/A	N/A	1/1
<i>Independent Non-Executive Directors:</i>					
Mr. Liu Ruiqiang	15/15	7/7	1/1	2/2	1/1
Mr. Lai Zheng	9/15	5/7	1/1	2/2	1/1
Mr. Wang Tianshi	13/15	6/7	0/1	N/A	1/1
Ms. Liu Jie (appointed on 11 July 2022)	14/14	N/A	N/A	N/A	1/1

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 30 June 2023, 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 and he resigned from the role on 30 June 2023.

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, 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 auditor 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 2023.

As at 30 June 2023, 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 2023, 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 2023, 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 discharged its responsibility.

Remuneration Committee

The Remuneration Committee has adopted the approach under Code Provision E.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 contracts. It also determines the entitlements of the Directors and the employees of the Group under the share option scheme of the Company.

The Group's remuneration policy provides competitive rewards for its 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 2023, the members of the Remuneration Committee comprised Mr. Liu Ruiqiang, Mr. Ng Ong Nee 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 statutes 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 2023 and have provided records of training received during the year ended 30 June 2023 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 E.1.5 of part 2 of the CG Code, the annual remuneration for the year ended 30 June 2023 of the members of the senior management (other than the Directors of the Company) by band is set out as below:

Remuneration band	Number of individuals
RMB1 million to RMB1.5 million	1

SHARE OPTION SCHEME

Details of the share option scheme are shown on pages 16 to 17 of this annual report.

INDEPENDENT AUDITORS' REMUNERATION

The consolidated financial statements for the year ended 30 June 2023 have been audited by Moore Hong Kong. The consolidated financial statements for the years ended 30 June 2022 and 2021 were audited by HLB Hodgson Impey Cheng Limited ("**HLB**").

With effect from 28 June 2023, HLB has resigned as the auditor of the Company. Moore Hong Kong has been appointed as the auditor of the Company with effect from 28 June 2023 to fill the vacancy following the resignation of HLB. Moore Hong Kong shall hold office until the conclusion of the next annual general meeting of the Company.

For the year ended 30 June 2023, the remuneration in respect of audit services and non-audit services provided by both outgoing and incoming independent auditors of the Company, amounted to approximately RMB888,000 and Nil respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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 misstatements, whether due to fraud or error. In preparing the financial statements for the year ended 30 June 2023, 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 auditor's statement about its reporting responsibilities on the Consolidated Financial Statements is included in the Independent Auditor's Report set out on pages 59 to 64 of this annual report.

CORPORATE GOVERNANCE 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 ensuring 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 consultancy firm to perform the internal audit function of the Group bi-annually. Such independent professional consultancy 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 2023 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.

CORPORATE GOVERNANCE REPORT

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

Miss NG Ling Ling resigned as the company secretary of the Company on 30 April 2023 and Mr. TSE Chi Hong has been appointed as the company secretary of the Company with effect from 3 July 2023. Both Miss NG Ling Ling and Mr. TSE Chi Hong are employees of the Group and report directly to the Chairman of the Company. The Board approves the selection, appointment or dismissal of the company secretary of the Company. All Directors have access to the advice and services of the company secretary of the Company to ensure that board procedures, and all applicable law, rules and regulations, are followed.

Both Miss NG Ling Ling and Mr. TSE Chi Hong have confirmed that each of them has taken no less than 15 hours of relevant professional trainings during the Year.

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.

CORPORATE GOVERNANCE REPORT

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 Room 2510, 25/F, Arion Commercial Centre, 2-12 Queen's Road West, Sheung Wan, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

(I) Purpose and Reporting Period

This is the seventh Environmental, Social and Governance Report (“**ESG Report**”) by 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 2022 to 30 June 2023 (the “**Reporting Period**” or “**2022/23**”), and in many material areas being compared with the last reporting period from 1 July 2021 to 30 June 2022 (the “**Last Reporting Period**” or “**2021/22**”). 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 Plantation Business in Hepu County, Guangxi Zhuang Autonomous Region, the PRC (the “**Hepu Plantation**”), the Fruit Distribution Business in Shenzhen and Shaanxi Province, the PRC and the Air-Conditioners Distribution Business in Shenzhen, the PRC.

Besides, the Group has acquired the entire equity interest of Shaanxi Pinshang, which is principally engaged in the distribution and sales of agricultural products with its comprehensive sales network in Shaanxi Province, the PRC during the Reporting Period. The Acquisition is expected to enable the Group to expand existing sales channels, increase the sales volume of agricultural products and deepen market penetration across northern PRC.

The office-based operation in Hong Kong is served as an administrative office and the operational site is an share office space, its environmental implication is immaterial.

This report covers the operations and activities of the Group’s head office in Hong Kong (the “**Hong Kong Office**”), the Hepu Plantation in Hepu County, the Fruit Distribution Business in Shenzhen and Shaanxi Province, the PRC and the Air-conditioners Distribution Business in Shenzhen, the PRC (collectively, 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, 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.

(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 a premium fruit producer and importer in the PRC, the Group continued to be inevitably affected by the direct and indirect impacts from the prolonged COVID-19 pandemic. In particular, the Group's farmland in Guangxi Province, the PRC was directly affected by the lockdown before December 2022. Farmers had to quarantine after testing COVID-19 positive and were unable to attend to the farmlands, resulting in citrus trees could not receive proper maintenance and were severely affected by pests and diseases. For the Reporting Period, the Group has approximately 351,000 fruit trees.

Moreover, the Group has commenced the Air-conditioners Business Distribution Business, which started to generate revenue for the Group since 2022. The business achieved preliminary success as the revenue generated from the Air-conditioners Distribution Business contributed substantial part of the total revenue of the Group. As air-conditioners are becoming a necessity for households in the PRC, the demand for air-conditioners was generally less affected by the outbreak of pandemic and respective lockdown measures.

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.

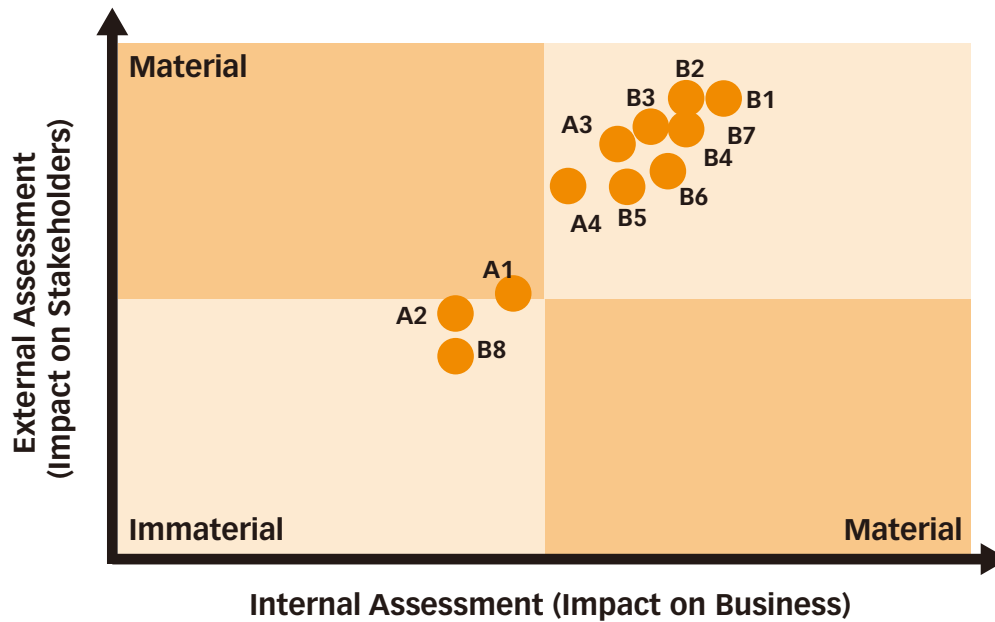
For the purpose of the ESG Report, only activities and operations which are considered material and significant to the environment are included. Overall, the Group takes on an active role in ensuring sustainable and environmentally friendly operating processes are in place. This is achieved by taking 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	<ul style="list-style-type: none"> • General meetings • Information published on websites of the Company and the Stock Exchange • Direct emails or phone enquiries • Dispatched documents
Employees	<ul style="list-style-type: none"> • Direct meetings with the management executives • Emails • Annual and regular appraisal • Organized functions and activities for the employees
Customers	<ul style="list-style-type: none"> • Day-to-day communication through front line staff • Emails • Official websites
Suppliers/service providers/professional advisors	<ul style="list-style-type: none"> • Day-to-day communication through front line staff • Regular review of the signed arrangements by the management
NGO partners	<ul style="list-style-type: none"> • 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 2022/23, 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- (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 ("CO₂"), methane ("CH₄") and nitrous oxide ("N₂O") (collectively, "CO₂e") 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 Air Pollutants and Greenhouse Gases

During the Reporting Period, direct GHG emissions are generated 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. While the indirect GHG emissions are generated from the electricity consumption.

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		Changes
		2023	2022	
1. SO _x direct emission	Kilograms	0.22	0.63	-65.08%
2. NO _x direct emission	Kilograms	296.07	866.14	-65.82%
3. PM direct emission	Kilograms	13.73	40.17	-65.82%
4. CO ₂ e direct emission	Tonnes	39.00	114.11	-65.82%
5. CO ₂ e indirect emission				
– Hepu Plantation	Tonnes	100.11	137.30	-27.09%
– PRC Offices	Tonnes	4.29	6.70	-35.97%
– Hong Kong Office	Tonnes	N/A	8.15 ⁽¹⁾	N/A

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.

Given that the operation of Hepu Plantation and PRC Offices were affected by the COVID-19 lockdown happened in December 2022, the electricity consumption has therefore decreased significantly leading to an decrease of CO₂ indirect emission by about 27.09% and 35.97% respectively.

Given that the Hong Kong Office is served as an administrative office with minimum operations, therefore no water and electricity consumption data of the Hong Kong Office is compiled for the Reporting Period.

As aforementioned, in order to save costs and minimize emissions of air pollutants and CO₂e, 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 CO₂e emissions within 1% – 3% in the Hepu Plantation and the PRC Offices on the basis of similar operating conditions.

GHG removals from planted trees

As the Group continued to be inevitably affected by the direct and indirect impacts of the prolonged COVID-19 pandemic, no additional trees were planted during the Reporting Period.

(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 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. As aforementioned, the Hong Kong Office is served as an administrative office with minimum operations, and therefore no polluted water were recorded during the Reporting Period.

(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 previous 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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:

Item	Unit	Year ended 30 June		Changes
		2023	2022	
Electricity Consumption				
– Hepu Plantation	kWh	175,638	170,729	+2.88%
– PRC Offices	kWh	7,522	8,332	-9.72%
– Hong Kong Office	kWh	N/A	20,904 ⁽¹⁾	N/A
Intensity				
– kWh/employee in Hepu Plantation		29,273	28,455	+2.88%
– kWh/employee in PRC Offices		171	260	-34.23%
– kWh/employee in Hong Kong Office		N/A	2,323 ⁽¹⁾	N/A
Fuel Consumption in Hepu Plantation				
	Litres	14,671	42,921	-65.82%
Intensity	kWh	142,186	415,962	-65.82%
– kWh/employee in Hepu Plantation		23,698	69,327	-65.82%

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

During the Reporting Period, the electricity consumption in the Hepu Plantation and the PRC Offices remained similar to the Last Reporting Period.

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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 petrol consumption for the PRC Offices and the Hepu Plantation on the basis of similar operating conditions.

(ii) Water

Item	Unit	Year ended 30 June		Changes
		2023	2022	
Water Consumption				
– Hepu Plantation	m ³	46,320	44,100	+5.03%
– PRC Offices	m ³	171	212	-19.34%
– Hong Kong Office	m ³	N/A	32 ⁽¹⁾	N/A
Intensity				
– m ³ /employee in Hepu Plantation		7,720	7,350	+5.03%
– m ³ /employee in PRC Offices		4	7	-42.86%
– m ³ /employee in Hong Kong Office		N/A	4 ⁽¹⁾	N/A

Note 1: Including water consumption 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.

The PRC 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. 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 PRC Offices through encouragement of employees to act prudently and responsibly.

(iii) Packaging Materials and Papers

For the Reporting Period, the Group used packaging materials and papers 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 72,476 kilograms inorganic fertilisers. The total amount of fertilisers used was approximately 97.13% less than the Last Reporting Period. For pesticides, 1,427 kilograms were used for the Reporting Period, which was approximately 96.50% less than the Last Reporting Period. The farmers were not able to attend the farmland due to COVID-19 lockdown leading to significant decrease of consumption of fertilisers. The Group has removed old fruit trees which have less productivity. 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 CO₂e 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 CO₂e 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 CO₂e emissions. Fortunately, the main activity of the Group is to grow fruit trees, which through the natural process of photosynthesis to absorb CO₂ 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 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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 2023, the Group employed a total of 59 permanent employees. Further analysis of the Group's employment situations for the Reporting Period and comparison with the Last Reporting Period are summarised below:

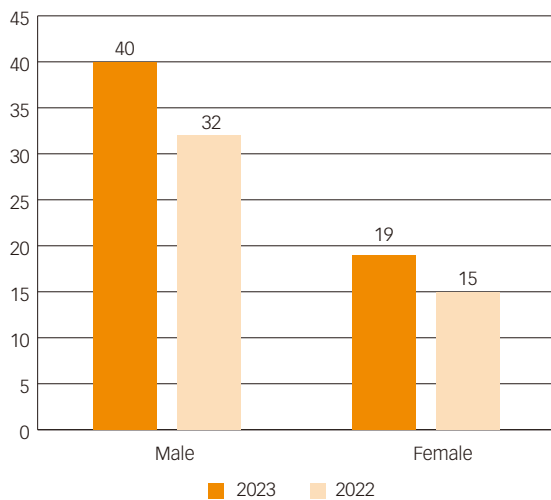


Figure 1: Number of Employees by Gender

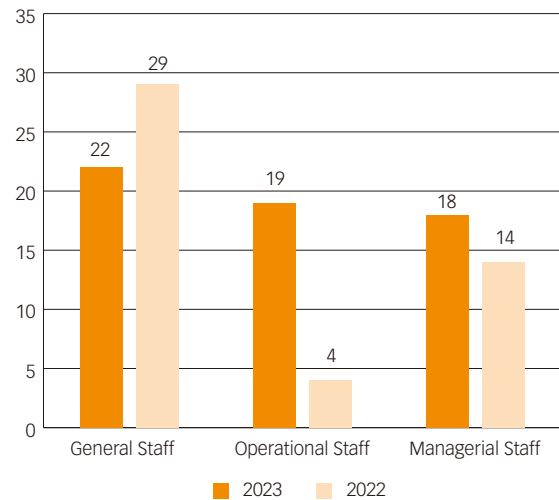


Figure 2: Number of Employees by Employment Type

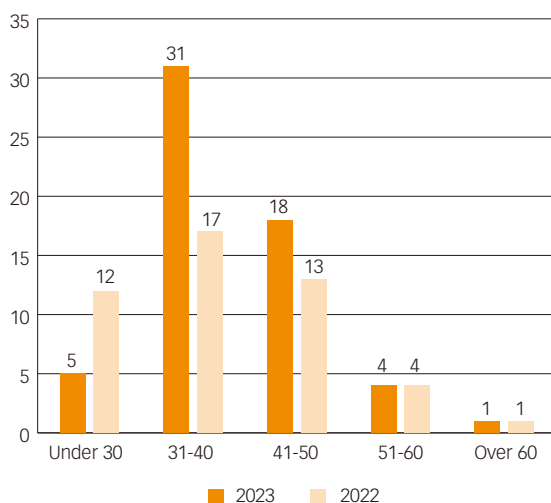


Figure 3: Number of Employees by Age

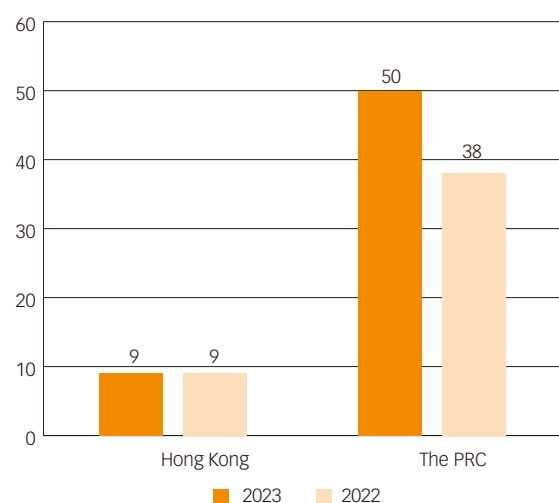


Figure 4: Number of Employees by Geographical Region

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

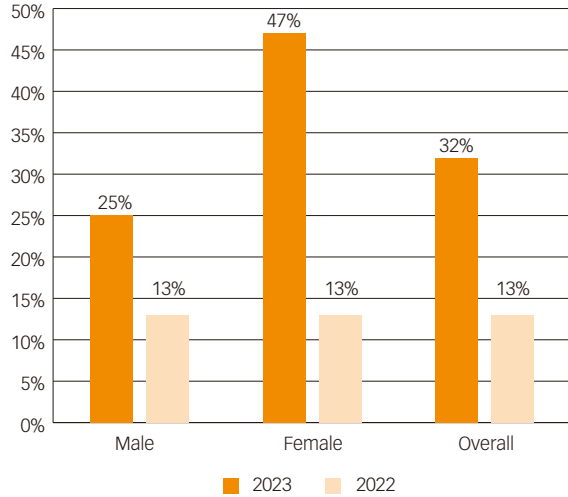


Figure 5: Employment Turnover Rate by Gender

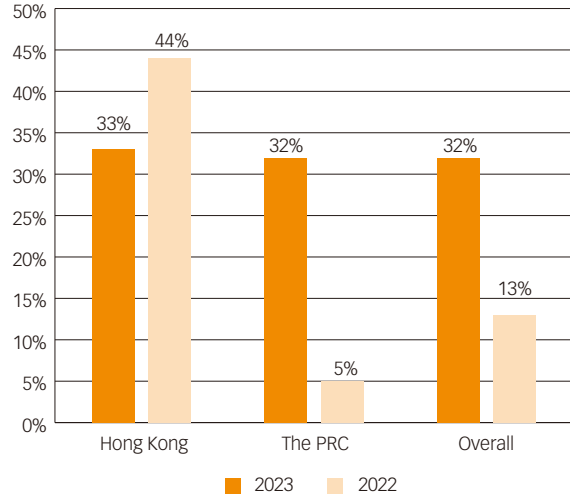


Figure 6: Employment Turnover Rate by Geographic Region

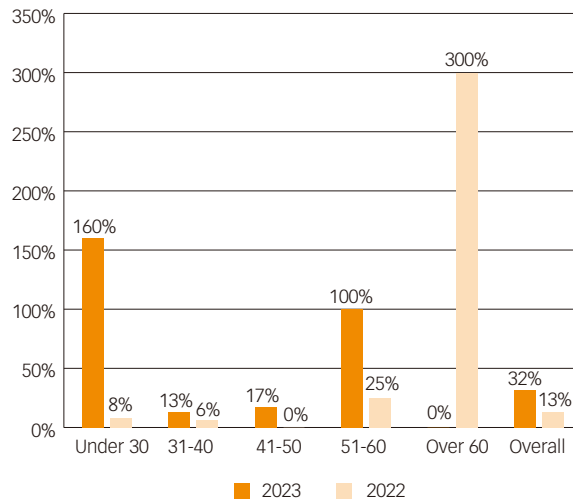


Figure 7: Employment Turnover Rate by Age

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. Furthermore, during the Reporting Period, same as the Last Reporting Period, zero lost day due to work-related injuries was recorded. 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.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Reporting Period, the Group provided 6 hours of internal training to 6 employees and 6 hours of external training to 6 employees.

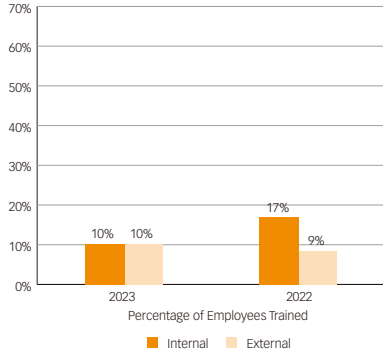


Figure 8: Percentage of Employees Trained

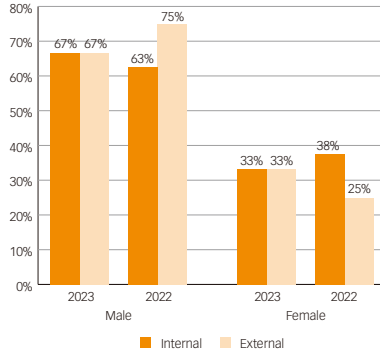


Figure 9: Percentage of Trained Employees by Gender

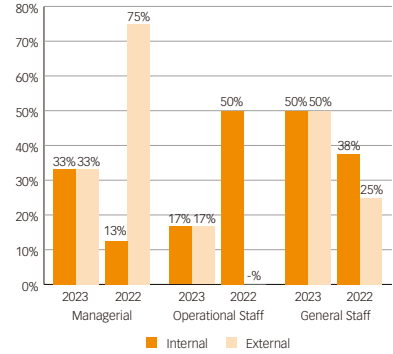


Figure 10: Percentage of Trained Employees by Grade

Average Training Hours Per Employee

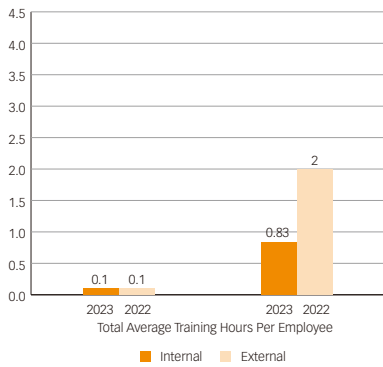


Figure 11: Total Average Training Hours Per Employee

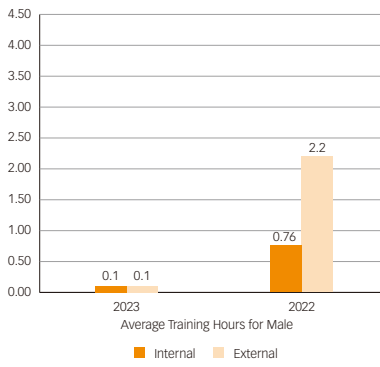


Figure 12: Average Training Hours for Male

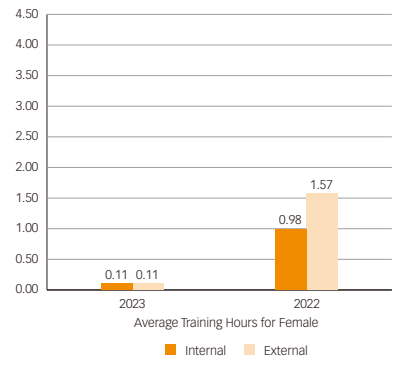


Figure 13: Average Training Hours for Female

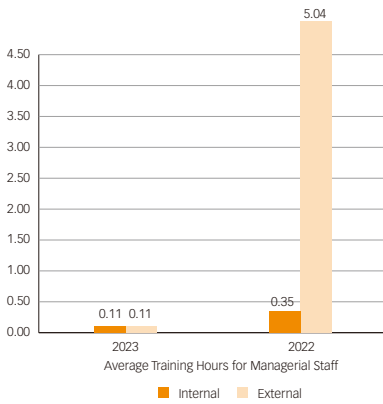


Figure 14: Average Training Hours for Managerial Staff

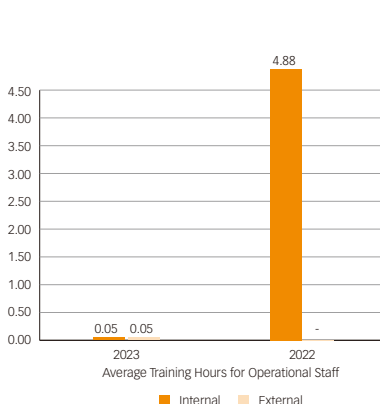


Figure 15: Average Training Hours for Operational Staff

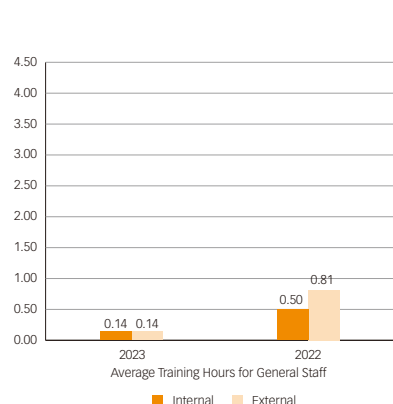


Figure 16: Average Training Hours for General Staff

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 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 such as child labour or forced labour employment were reported or detected. 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 81 suppliers (45 suppliers for 2021/22), out of which 79 were local and 2 were overseas suppliers. The increase in the number of suppliers was mainly because the Group has expanded its Fruit 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 RMB248,000 of sales return of the Air-conditioners Distribution Business representing approximately 0.4% 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) 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 absorbing CO₂ and release oxygen, and conserve water and top-soil;
- (b) 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”;
- (c) Community – the Group’s plantation farm has continued to help 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
- (d) 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.

INDEPENDENT AUDITOR'S REPORT



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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 referred to as the “**Group**”) set out on pages 65 to 158, which comprise the consolidated statement of financial position as at 30 June 2023, and 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 2023, 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 *Auditor’s 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.

INDEPENDENT AUDITOR'S REPORT

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 ("ECLs") on trade and other receivables and loan receivables

Refer to the notes 21, 22 and 36(b) to the consolidated financial statements

As at 30 June 2023, the Group had trade and other receivables and loan receivables with gross carrying amounts of approximately RMB3,022,000, RMB12,986,000 and RMB8,398,000 respectively, while the Group has recognised reversal of ECLs allowance on trade and other receivables, net and provision for ECLs allowance on loan receivables, net amounting to RMB125,000, RMB121,000 and RMB1,605,000, respectively during the year ended 30 June 2023.

The measurement of ECLs requires the application of significant judgements and estimates which increased complexity.

Management assesses whether the credit risks of trade and other receivables and loan receivables have increased significantly since their initial recognition. The measurement models of ECLs 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 have identified management's impairment assessments on the Group's trade and other receivables and loan receivables as a key audit matter because their carrying amounts are significant and the assessments required significant management judgement and involved high level of estimation uncertainty.

Our audit procedures in relation to management's assessment on allowance for ECLs on trade and other receivables and loan receivables included but not limited to:

- Understood and evaluated the key control procedures over management's estimation of ECLs 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 ECLs;
- Challenged whether historical experience is representative of current circumstances and of the recent losses incurred in the debtors and assessed the reasonableness of forward-looking adjustments, including the economic variables and assumptions used in each of the economic scenarios and their probability weightings;
- Evaluated the independent external valuer's competency, capability and objectivity;
- Tested the accuracy of key data (e.g. probability of default and loss given default) used by the external valuer to determine the ECLs, on a sample basis;
- 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;
- Assessed the adequacy of the ECLs recorded by reviewing subsequent settlements after the year-end and any correspondence with debtors about expected settlement dates; and
- Performed retrospective review on the consistency of methodology adopted in the prior years and inquired with the management for the reasons of changes, if any.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
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Impairment assessment of plantation business cash-generating unit ("CGU")

Refer to the notes 4, 5 and 14 to the consolidated financial statements

During the year ended 30 June 2023, the Group has recognised impairment loss of approximately RMB32,416,000 to the consolidated statement of profit or loss relating to the plantation business CGU. As there was an impairment indicator that the plantation business of the Group incurred a segment loss of approximately RMB42,715,000 during the year ended 30 June 2023.

The management of the Company determined the recoverable amount by using the value-in-use calculation, which was based on the present value of the cash flow projections and discount rate.

We have identified management's impairment assessment of the plantation business CGU as a key audit matter due to the significance of balance of the non-financial assets of the plantation business CGU in the consolidated statement of financial position at 30 June 2023 and the significant management estimates and judgments are involved in determining the recoverable amounts of the plantation business CGU.

Our audit procedures in relation to management's impairment assessment of the plantation business CGU included but not limited to:

- Understood, evaluated and validated management's internal control and assessment process of impairment assessment of the plantation business CGU and assessed the inherent risk of misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors;
- Evaluated the appropriateness and reasonableness of the valuation methodology and assumptions in determining the recoverable amount with reference to the industry practice;
- Discussed with the management about the other assumptions used in the cash flow projections and challenged the reasonableness of the key inputs including assessing the reasonableness of the discount rate based on relevant market data of comparable companies where appropriate;
- Checked the accuracy and relevance of the input data and mathematical accuracy of the valuation calculation and the underlying data used in the calculation; and
- Performed sensitivity analysis around the key assumptions for forecast revenue and estimated costs and considering the extent of change in those assumptions that would result in impairment.

INDEPENDENT AUDITOR'S REPORT

OTHER MATTER

The consolidated financial statements of the Group for the year ended 30 June 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 30 September 2022.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all the information in the annual report other than the consolidated financial statements and our auditor's report thereon.

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 OF THE COMPANY 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 of the Company 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 of the Company 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 of the Company is responsible for overseeing the Group's financial reporting process.

AUDITOR'S 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 auditor's 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 HKSA's 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.

INDEPENDENT AUDITOR'S REPORT

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

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.
- 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 of the Company.
- 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 auditor's 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 auditor's 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 of the Company 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 of the Company 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.

INDEPENDENT AUDITOR'S REPORT

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

From the matters communicated with the audit committee of the Company, 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 this matter in our auditor's 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.

Moore CPA Limited

Certified Public Accountants

Li Wing Yin

Practising Certificate Number: P05035

Hong Kong, 28 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	6	110,029	143,572
Cost of inventories		(103,619)	(126,596)
Other income	7	5,227	7,605
Impairment loss on property, plant and equipment	14	(32,416)	–
Changes in fair value of investment properties	16	(530)	–
Realised (loss)/gain arising from changes in fair value of biological assets less costs to sell	19	(51)	617
Reversal of/(provision for) allowance of expected credit losses on trade receivables, net	21(a)	125	(133)
Reversal of/(provision for) allowance of expected credit losses on other receivables, net	21(b)	121	(2,405)
Provision for allowance of expected credit losses on loan receivables, net	22	(1,605)	(120)
Changes in fair value of financial assets at fair value through profit or loss	24	(1,063)	–
Depreciation of property, plant and equipment and right-of-use assets	9	(9,641)	(9,772)
Staff costs	9	(11,787)	(8,442)
Distribution and other operating expenses		(1,188)	(6,632)
General and other administrative expenses		(12,330)	(16,718)
Finance costs	8	(196)	(2)
Loss before income tax	9	(58,924)	(19,026)
Income tax credit/(expense)	11	194	(1,670)
Loss for the year attributable to the owners of the Company		(58,730)	(20,696)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
– Exchange differences on translation from foreign currency to presentation currency		7,998	10,218
– Fair value change on investments funds classified as financial assets at fair value through other comprehensive income		131	6,589
– Fair value adjustment upon transfer of self-occupied properties to investment properties	16	644	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Release of exchange reserve upon deregistration of a subsidiary		2	–
– Exchange differences on translation of financial statements of foreign operations, net of tax		(3,603)	(9,119)
Other comprehensive income for the year attributable to the owners of the Company		5,172	7,688
Total comprehensive loss for the year attributable to the owners of the Company		(53,558)	(13,008)
		RMB	RMB
Loss per share attributable to the owners of the Company			
– Basic and diluted	12	(0.023)	(0.008)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	21,892	63,234
Right-of-use assets	15	54,171	51,928
Investment properties	16	15,060	–
Financial assets at fair value through other comprehensive income	17	–	3,202
Goodwill	18	2,916	–
		<u>94,039</u>	<u>118,364</u>
Current assets			
Biological assets	19	2,251	910
Inventories	20	12,544	19,492
Trade and other receivables	21	9,366	31,005
Loan receivables	22	6,673	6,978
Prepayments	23	14,957	5,742
Financial assets at fair value through profit or loss	24	22,183	–
Cash and cash equivalents	25	26,099	48,100
		<u>94,073</u>	<u>112,227</u>
Current liabilities			
Trade and other payables	26	27,014	28,498
Contract liabilities	27	4,706	164
Lease liabilities	28	425	46
Bank borrowings	29	2,286	–
Tax payable		92	321
		<u>34,523</u>	<u>29,029</u>
Net current assets		<u>59,550</u>	<u>83,198</u>
Total assets less current liabilities		<u>153,589</u>	<u>201,562</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	28	4,485	42
Bank borrowings	29	1,142	–
		5,627	42
Net assets		147,962	201,520
EQUITY			
Share capital	30	22,831	22,831
Reserves	31	125,131	178,689
Total equity		147,962	201,520

The consolidated financial statements on pages 65 to 158 were approved and authorised for issue by the board of directors on 28 September 2023 and are signed on its behalf by:

Ng Ong Nee
Executive Director

James Francis Bittl
Non-Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Attributable to the owners of the Company							Total RMB'000
	Share capital (note 30) RMB'000	Share premium [‡] (note 31(i)) RMB'000	Financial assets at fair value through other comprehensive income reserve [‡] (note 31(iii)) RMB'000	Revaluation reserve [‡] (note 31(iii)) RMB'000	Statutory surplus reserve [‡] (note 31(iv)) RMB'000	Exchange reserve [‡] (note 31(v)) RMB'000	Accumulated losses [‡] RMB'000	
At 1 July 2022	22,831	3,782,111	1,055	-	1,709	(1,751)	(3,604,435)	201,520
Loss for the year	-	-	-	-	-	-	(58,730)	(58,730)
Other comprehensive income/ (expenses) for the year:								
Exchange differences on translation from foreign currency to presentation currency	-	-	-	-	-	7,998	-	7,998
Fair value change on investment funds classified as financial assets at fair value through other comprehensive income	-	-	131	-	-	-	-	131
Fair value adjustment upon transfer of self-occupied properties to investment properties (note 16)	-	-	-	644	-	-	-	644
Release of exchange reserve upon deregistration of a subsidiary	-	-	-	-	-	2	-	2
Exchange differences on translation of financial statements of foreign operations, net of tax	-	-	-	-	-	(3,603)	-	(3,603)
Total comprehensive income/(loss) for the year	-	-	131	644	-	4,397	(58,730)	(53,558)
Appropriation to statutory surplus reserve	-	-	-	-	102	-	(102)	-
Transfer of reserve upon disposal of investments in equity instruments measured at fair value through other comprehensive income (note 17)	-	-	(1,186)	-	-	-	1,186	-
At 30 June 2023	22,831	3,782,111	-	644	1,811	2,646	(3,662,081)	147,962

These reserve accounts comprise the consolidated reserve of approximately RMB125,131,000 (2022: RMB178,689,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Attributable to the owners of the Company							Total RMB'000
	Share capital (note 30) RMB'000	Share premium [†] (note 31(i)) RMB'000	Financial assets at fair value through other comprehensive income reserve [‡] (note 31(ii)) RMB'000	Revaluation reserve [‡] (note 31(iii)) RMB'000	Statutory surplus reserve [‡] (note 31(iv)) RMB'000	Exchange reserve [‡] (note 31(v)) RMB'000	Accumulated losses [‡] RMB'000	
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/ (expenses) for the year:								
Exchange differences on translation from foreign currency to presentation currency	-	-	-	-	-	10,218	-	10,218
Fair value change on investment funds classified as financial assets at fair value through other comprehensive income	-	-	6,589	-	-	-	-	6,589
Exchange differences on translation of financial statements of foreign operations, net of tax	-	-	-	-	-	(9,119)	-	(9,119)
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 (note 17)	-	-	(5,534)	-	-	-	5,534	-
At 30 June 2022	22,831	3,782,111	1,055	-	1,709	(1,751)	(3,604,435)	201,520

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Loss before income tax		(58,924)	(19,026)
Adjustments for:			
Interest income	7	(699)	(213)
Gain on termination of a lease	7	(2)	–
Gain on disposal of financial assets at fair value through profit or loss, net	7	(414)	–
Gain on bargain purchase on acquisition of a subsidiary	7	–	(158)
Finance costs	8	196	2
Depreciation of property, plant and equipment	9	7,063	8,064
Depreciation of right-of-use assets	9	2,578	1,708
Loss on disposal of property, plant and equipment	9	1	8
Loss on written-off of property, plant and equipment	9	553	2,450
Loss on written-off of biological assets	9	692	–
Loss on write-down of inventories	9	1,202	–
Impairment loss on property, plant and equipment	14	32,416	–
Changes in fair value of investment properties	16	530	–
Realised loss/(gain) arising from changes in fair value of biological assets less costs to sell	19	51	(617)
(Reversal of)/provision for allowance of expected credit losses on trade receivables, net	21(a)	(125)	133
(Reversal of)/provision for allowance of expected credit losses on other receivables, net	21(b)	(121)	2,405
Provision for allowance of expected credit losses on loan receivables, net	22	1,605	120
Changes in fair value of financial assets at fair value through profit or loss	24	1,063	–
Operating cash flows before capital changes		(12,335)	(5,124)
(Increase)/decrease in biological assets		(2,084)	227
Decrease/(increase) in inventories		5,746	(18,489)
Decrease in trade and other receivables		8,394	3,380
(Increase)/decrease in prepayments		(4,215)	5,121
(Decrease)/increase in trade and other payables		(22,802)	12,233
Increase/(decrease) in contract liabilities		4,542	(39,247)
Net cash used in operations		(22,754)	(41,899)
Income tax paid		(39)	(2,200)
Net cash used in operating activities		(22,793)	(44,099)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,620)	(5,886)
Payments for acquisition of land use right		–	(48,533)
Proceeds from disposal of property, plant and equipment		–	26
Purchase of financial assets at fair value through other comprehensive income	17	–	(12,720)
Proceeds from redemption of financial assets at fair value through other comprehensive income		20,795	–
Repayment from/(loan to) a related party	22	7,000	(7,000)
Loan to an independent third party	22	(8,000)	–
Purchase of financial assets at fair value through profit or loss	24	(27,192)	–
Proceeds from disposal of financial assets at fair value through profit or loss	24	6,292	–
Net cash outflow on acquisition of a subsidiary	33	(4,488)	(2,219)
Interest received		421	115
Net cash used in investing activities		(18,792)	(76,217)
Cash flows from financing activities			
Repayment from a related party	26(c)	18,659	–
Repayments of bank borrowings	37(b)	(1,572)	–
Interest paid on bank borrowings	37(b)	(184)	–
Repayment of principal portion of lease liabilities	37(b)	(8)	(15)
Payment of interest on lease liabilities	37(b)	(1)	(2)
Net cash generated from/(used in) financing activities		16,894	(17)
Net decrease in cash and cash equivalents		(24,691)	(120,333)
Cash and cash equivalents at beginning of the year		48,100	167,876
Effect of foreign exchange rate changes		2,690	557
Cash and cash equivalents at end of the year	25	26,099	48,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 4 June 2003 under the Companies Act of Bermuda. 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 was changed from 1/F., Ching Cheong Industrial Building, 1-7 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong to Room 2510, 25/F, Arion Commercial Centre, 2-12 Queen's Road West, Sheung Wan, Hong Kong with effect from 3 July 2023. The shares of the Company are listed on the Main Board of the Stock Exchange on 26 November 2009.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 32.

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, an executive director of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which collective term includes all IFRSs, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"), and the disclosure requirement of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosures provision of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared under the historical cost convention, except for investment properties, financial assets at fair value through other comprehensive income ("**FVTOCI**"), financial assets at fair value through profit or loss ("**FVTPL**") and biological assets, which have been measured at fair values as at the end of the reporting period, as explained in the accounting policies set out in note 3. Certain comparative figures have been reclassified to conform to the current year's presentation.

The functional currency of the Company is Hong Kong dollar ("**HK\$**"). 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 Group are denominated and settled in and this presentation is more useful for its current and potential investors. All values are rounded to the nearest thousand except when otherwise indicated.

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

In the preparation of the consolidated financial statements for the year ended 30 June 2023, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 July 2022:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

2. BASIS OF PREPARATION (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:

		Effective for accounting periods beginning on or after
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts and the related Amendments	1 January 2023
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these new and amendments to IFRSs is expected to be in the period of initial application. So far the Group has not identified any aspects of the new standards which may have a significant impact on the consolidated financial statements. The actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's annual report for the year ending 30 June 2024. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of consolidation*

These consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 30 June 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Consolidated profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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 described in the accounting policy for subsidiaries above.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to the consolidated income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in subsidiaries are included in the Company's statement of financial position at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combinations and goodwill

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations 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 assumed 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. For each business combination, the Group elects whether to measure non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation at fair value or at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of *IFRS 9 Financial Instruments ("IFRS 9")*, is measured at fair value with changes in fair value recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being 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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts 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 the consolidated income statement as a bargain purchase gain.

After initial recognition, goodwill is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("**CGU**") (or groups of CGU) that is expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the CGU (group of CGU) to which the goodwill relates. If the recoverable amount of the CGU (group of CGU) is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit (group of CGU) and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a CGU (or group of CGU) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the CGU retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Property, plant and equipment

Property, plant and equipment (other than construction in progress) are stated at cost, less provisions for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated income statement in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold, its cost and accumulated depreciation are removed from the consolidated financial statements and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the consolidated profit or loss.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets, as follows:

Buildings	Over the remaining lease terms
Leasehold improvements	3.33% to 20% per annum or over the remaining lease terms, whichever is shorter
Furniture, plant and machinery	5% to 33.33% per annum
Motor vehicles	10% to 33.33% per annum
Farmland infrastructure and machinery	5% to 33.33% per annum
Bearer plants	10 to 20 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a farmland infrastructure and land improvements under construction, property, plant and equipment under construction and equipment pending installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment properties are initially measured at cost, including any directly attributable expenditure. After initial recognition, investment property is carried at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Changes in fair values of investment property are recognised in consolidated statement of profit or loss.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in consolidated profit or loss to the extent the impairment provision previous made.

(e) Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or CGU to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the consolidated income statement in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated income statement in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Inventories

Inventories, which consist of agricultural produces and air-conditioners, are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(g) Investments and other financial assets

Financial assets

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid 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, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investments and other financial assets *(continued)*

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 FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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 the date of initial application/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 classified as 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 are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Investments and other 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 and debt instruments/receivables subsequently measured at FVTOCI. 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 (see below). 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) 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 consolidated profit or loss on disposal of the equity investments, and will be transferred to accumulated losses.

Dividends from these investments in equity instruments are recognised in consolidated 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.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in consolidated profit or loss. The net gain or loss recognised in consolidated profit or loss includes any dividend or interest earned on the financial asset and is included in the "other income" line item.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investments and other financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (“**ECLs**”) on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables, loan receivables and cash at bank). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECLs represents the ECLs that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECLs (“**12m ECLs**”) represents the portion of lifetime ECLs that is expected to result from default events that are possible within 12 months after the reporting date. Assessment 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.

For trade receivables, the Group applies the simplified approach to provide for ECLs prescribed by IFRS 9, which requires the use of the lifetime expected losses provision for all trade receivables without significant financing component. The ECLs on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

Loan receivables are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs:

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs.
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs.
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investments and other financial assets (continued)

Impairment of financial assets *(continued)*

For all other instruments, the Group measures the loss allowance equal to 12m ECLs, unless when there has been a significant increase in credit risk since initial recognition, 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.

In particular, the following information is 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;

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investments and other financial assets *(continued)*

Impairment of financial assets *(continued)*

(i) Significant increase in credit risk (continued)

- an actual or expected significant deterioration in the operating results of the debtor;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investments and other financial assets *(continued)*

Impairment of financial assets *(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;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(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 one year 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 consolidated 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investments and other financial assets *(continued)*

Impairment of financial assets *(continued)*

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped based on:

- Nature of financial instruments;
- 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.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

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 consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Investments and other financial assets *(continued)*

Derecognition of financial assets *(continued)*

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of IFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to consolidated profit or loss, but is transferred to accumulated losses.

(h) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial liabilities are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at FVTPL) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognised immediately in consolidated profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of financial liabilities at amortised cost, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, lease liabilities and bank borrowings.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated profit or loss.

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 consolidated profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) 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 or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* ("**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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leases (continued)

The Group as a lessee *(continued)*

Right-of-use assets (continued)

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. The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property is presented within "investment properties".

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leases *(continued)*

The Group as a lessee *(continued)*

Lease liabilities (continued)

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.

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 stand-alone 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Leases *(continued)*

The Group as a lessor

Classification and measurement of leases

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

Subleases for which the Group is an intermediate lessor are classified as finance or operating leases. Whenever the terms of the sublease transfer substantially all the risks and rewards incidental to ownership of head lease to the lessee, the contract is classified as a finance lease. All other head leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as finance lease receivables at commencement date at amounts equal to net investments in the leases, measured using the incremental borrowing rate in the respective leases and recognised the difference between the right-of-use assets and the net investment in the subleases in consolidated profit or loss. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in consolidated profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the head lease, and such costs are recognised as an expense on a straight-line basis over the lease term consistent with investment properties from leased properties under sub-leases. Rental income is presented under "other income".

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

(k) Borrowing costs

All borrowing costs that are not directly attributable to expenditure on qualifying assets are recognised in consolidated profit or loss in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The employees of the subsidiaries within the Group which operate in the PRC are required to participate in the central defined contribution pension scheme operated by the local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Employee long service payment

The provision for long service is provided based on the employees’ basic salaries and their respective length of service in accordance with the applicable rules and regulations in their respective countries of employment.

(m) Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside consolidated profit or loss is recognised outside consolidated profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of air-conditioners are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

(o) 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.

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 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 liability relating to the same contract is accounted for and presented on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Depending on the terms of the contracts and the laws that apply to the contract, services may be recognised over time or at a point in time.

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.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. It is the Group's policy to sell its products to the end customers with a right of returns within the date of products delivered.

The management's judgements regarding principal and agent consideration in revenue recognition was disclosed in note 4 to the consolidated financial statements.

Distribution and installation of air-conditioners

(i) Distribution and installation of air-conditioners

Sale of air-conditioners are recognised as revenue when control of the products has transferred, being when products 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, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Revenue is normally recognised when the customer accepts delivery and installation are complete. However, revenue is recognised immediately upon the customer's acceptance of delivery as the installation process is simple in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Distribution and installation of air-conditioners *(continued)*

(ii) Rights of return

For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognised. A right of return asset (and the corresponding adjustment to cost of sales) is also recognised for the right to recover products from a customer.

(p) 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 the consolidated 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 HK\$ 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Government grants

Government grants are recognised at their value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant related to expense item, it is recognised as income on a systemic basis over the periods that the costs, which is intended to compensate, are expensed. Such grants are presented under "other income".

(r) 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 biological assets are classified as current assets due to short harvesting period.

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 accumulated depreciation and impairment loss, if any. 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 consolidated 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 consolidated profit or loss for the period in which it arises.

(s) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors of the Company for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under *IFRS 8 Operating Segments* ("**IFRS 8**") are the same as those used in its consolidated financial statements prepared under IFRSs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) 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;

or

(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;
- (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) the entity and the Group are joint ventures of the same 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;
- (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); and
- (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 Group's parent.

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:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements requires the directors of the Company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The directors of the Company have considered the development, selection and disclosure of the Group's critical accounting judgements and estimates.

Estimates and assumptions

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

Impairment assessment of the CGUs

The management determines the impairment loss if circumstances indicate that the carrying value of the CGUs may not be recoverable. The carrying amounts of CGUs are reviewed when there are any indicators of impairment. The recoverable amounts are the higher of its fair value less costs of disposal and its value in use.

The assessment of the value in use model is inherently subjective as it involves the exercise of significant management judgement and estimation, especially in determining future revenue, future operating expenses and the discount rate applied.

In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future revenue, future operating expenses and discount rate applied. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and financial budgets approved by the management of the Group. During the year ended 30 June 2023, an impairment loss was recognised approximately RMB32,416,000 (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimates and assumptions (continued)

Principal and agent consideration in revenue recognition

The Group engaged in fruit distribution business through either of its own planted fruits or other fruits purchased from independent third parties, which involves the principal versus agent assessment.

The Group is required to determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e., the Group is an agent). In determining the nature of its promise, the Group identify the specified goods to be provided to the customer (which, for example, could be a right to a good to be provided by another party, and assess whether it controls each specified good before that good or service is transferred to the customer).

With respect to the fruit distribution business, the Group follows the applicable accounting guidance and makes judgement that it is acting as a principal as the Group obtains control of the goods from respective suppliers before transferring to the customer.

Fair value 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimates and assumptions (continued)

Allowance for ECLs on trade and other receivables, loan receivables and operating lease receivables

The policy for the allowance for ECLs on trade receivables of the Group is assessed for trade debtors with significant balances or collectively using a provision matrix appropriate groupings. As part of the Group's credit risk management, the Group uses debtors ageing to assess the impairment for its trade receivables because trade receivables consist of balances due from a large number of customers which share common risk characteristics that are representative of the customers' ability to pay all amounts due in accordance with the contractual terms. The estimated credit loss rates are estimated based on historical default rates of the trade debtors and are adjusted by forward-looking information that is available without undue cost or effort. The allowance for ECLs is sensitive to changes in estimates.

In term of loan receivables, the directors of the Company classified the loan receivables to different stages by considering whether there is significant increase in credit risk since initial recognition. The management calculates the ECLs of loan receivables from individuals based on the loss rates which are reference to the default rates from international credit rating agencies, with adjustment to reflect the current conditions and forecasts of future economic conditions, as appropriate.

Other receivables with significant balances and credit-impaired are assessed for ECL individually. The Group applies IFRS 9 simplified approach and measures ECLs based on a lifetime expected loss allowance for the remaining other receivables and operating lease receivables.

The information about ECLs of the Group's trade and other receivables and loan receivables are disclosed in note 36(b).

Goodwill impairment assessment

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated, which is the higher of the value in use and fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows, a material impairment loss/further impairment loss may arise. At 30 June 2023, the carrying amount of goodwill is approximately RMB2,916,000 (2022: Nil) with no impairment loss identified necessary. Details of the recoverable amount calculation are disclosed in note 18.

Fair value of unlisted notes which were categorised as level 3

The directors of the Company use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The determination of fair value of unlisted notes includes certain assumptions not supported by observable market prices or rates. Changes to the assumptions or inputs used in deriving the valuation would have a significant impact to the fair value of these financial assets in the consolidated statement of financial position. The carrying amount of such unlisted notes under financial assets at FVTPL classified as level 3 as at 30 June 2023 amounted to approximately RMB7,574,000 (2022: Nil) (note 24). The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimates and assumptions (continued)

Fair value of investment properties

At the end of the reporting period, investment properties are stated at fair value based on the valuation performed by a firm of independent qualified professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in change in the fair value of the Group's investment properties being recognised in the consolidated profit or loss. The carrying amount of investment properties measured at fair value at 30 June 2023 was approximately RMB15,060,000 (2022: Nil) (note 16).

Current and deferred income taxes

The Group is subject to income taxes in jurisdictions in which the Group operates. Significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for tax based on estimates of the taxes that are likely to become due. The Group believes that its provision for tax is adequate for each of financial year based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimates, such difference will impact the recognition of deferred tax assets and income tax in the period in which such estimates are changed.

Allowance for inventories

Management carries out inventory review periodically, at least at the end of each reporting period and makes allowance for obsolete items. A considerable amount of judgement and estimates is required in determining such allowance. If conditions which have an impact on the net realisable value of inventories deteriorate, additional allowances may be required. Management reviews the inventory ageing analysis at the end of reporting period and identifies for slow-moving inventory that are no longer suitable for consumption and saleable. Management estimates the net realisable value for such inventories based primarily on the latest invoice price and current market conditions. When the inventories which have been impaired are sold subsequently, the provision of impairment loss will be reversed to the extent of impairment losses previously recognised in the consolidated statement of profit or loss and other comprehensive income.

Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. The management of the Company reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation to be recorded during each reporting period. The determination of useful lives is based on the Group's historical experience with similar assets. The depreciation for future periods is adjusted if there are material changes from previous estimates. The net carrying amount of the Group's property, plant and equipment as at 30 June 2023 was approximately RMB21,892,000 (2022: RMB63,234,000) (note 14).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision markers (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the executive directors of the Company have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments under IFRS 8 for the years presented are 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 revenue and financial performance

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

	Plantation Business		Fruit Distribution Business		Air-conditioners Distribution Business		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Gross segment revenue	664	8,510	55,615	123,155	53,750	11,907	110,029	143,572
Inter-segment revenue	–	–	–	–	–	–	–	–
Revenue	664	8,510	55,615	123,155	53,750	11,907	110,029	143,572
Segment results	(42,715)	(12,003)	(3,521)	2,775	2,138	721	(44,098)	(8,507)
Unallocated corporate expenses							(15,923)	(12,367)
Unallocated corporate income							1,291	178
Loss for the year							(58,730)	(20,696)

There was no inter-segment revenue in both years.

The accounting policies of the operating segments are the same as the Group’s accounting policies. Segment (loss)/profit represents the (loss incurred)/profit earned by each segment without allocation of certain administration costs, directors’ emoluments, certain other income and changes in fair value of financial assets at FVTPL. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. SEGMENT INFORMATION *(continued)*

Segment assets and liabilities

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

	2023 RMB'000	2022 RMB'000
Segment assets		
Plantation Business	51,456	88,131
Fruit Distribution Business	82,254	60,340
Air-conditioners Distribution Business	30,614	32,086
Total segment assets	164,324	180,557
Unallocated corporate assets	23,788	50,034
Total assets	188,112	230,591
Segment liabilities		
Plantation Business	1,040	308
Fruit Distribution Business	18,933	1,570
Air-conditioners Distribution Business	18,565	24,686
Total segment liabilities	38,538	26,564
Unallocated corporate liabilities	1,612	2,507
Total liabilities	40,150	29,071

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. SEGMENT INFORMATION (continued)

Other Segment Information

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

	Plantation Business		Fruit Distribution Business		Air-conditioners Distribution Business		Unallocated		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Additions to property, plant and equipment	13,602	2,414	-	3,467	8	4	10	1	13,620	5,886
Additions to right-of use assets	-	-	-	53,533	4,899	103	-	-	4,899	53,636
Depreciation of property, plant and equipment	(6,860)	(7,912)	(168)	(107)	(5)	(1)	(30)	(44)	(7,063)	(8,064)
Depreciation of right-of-use assets	-	-	(2,537)	(1,691)	(41)	(17)	-	-	(2,578)	(1,708)
Reversal of/(provision for) allowance of ECL on trade receivables, net	-	71	(23)	-	148	(204)	-	-	125	(133)
(Provision for)/reversal of allowance of ECL on other receivables, net	-	(2,268)	(23)	-	-	-	144	(137)	121	(2,405)
Reversal of/(provision) for allowance of ECL on loan receivables, net	120	(120)	-	-	-	-	(1,725)	-	(1,605)	(120)
Loss on disposal of property, plant and equipment	-	-	-	-	-	-	(1)	(8)	(1)	(8)
Loss on written-off of property, plant and equipment	(553)	(2,450)	-	-	-	-	-	-	(553)	(2,450)
Loss on written-off biological assets	(692)	-	-	-	-	-	-	-	(692)	-
Loss on written-down of inventories	-	-	(1,202)	-	-	-	-	-	(1,202)	-
Impairment loss on property, plant and equipment	(32,416)	-	-	-	-	-	-	-	(32,416)	-
Changes in fair value of investment properties	(530)	-	-	-	-	-	-	-	(530)	-
Changes in fair value of financial assets at FVTPL	-	-	(942)	-	-	-	(121)	-	(1,063)	-
Realised (loss)/gain arising from changes in fair value of biological assets less costs to sell	(51)	617	-	-	-	-	-	-	(51)	617
Finance costs	-	-	-	-	(196)	(2)	-	-	(196)	(2)
Interest income	16	137	7	73	6	1	670	2	699	213
Income tax credit/(expense)	-	-	200	(1,583)	(6)	(87)	-	-	194	(1,670)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

5. SEGMENT INFORMATION (continued)

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 is presented.

Information about major customers

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

	2023 RMB'000	2022 RMB'000
Customer A ¹	35,743	102,511
Customer B ¹	13,281	N/A ²

¹ Revenue generated from customers A and B were attributable to Fruit Distribution Business.

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

6. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2023 RMB'000	2022 RMB'000
<i>Revenue from contracts with customers within the scope of IFRS 15 recognised at a point in time</i>		
Sales of oranges, other citrus and passion fruits	664	8,510
Sales of other fruits	55,615	123,155
Sales of air-conditioners	53,750	11,907
	110,029	143,572

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

7. OTHER INCOME

	Notes	2023 RMB'000	2022 RMB'000
Bank interest income		31	115
Dividend income	24(a)	39	–
Gain on disposal of financial asset at FVTPL, net	24(a)	414	–
Gain on bargain purchase on acquisition of a subsidiary	33(b)	–	158
Gain on termination of a lease	15	2	–
Government grants	(i)	43	20
Interest income on loan receivables		668	98
Management income	(ii)	3,641	6,907
Rental income		275	–
Sundry income		114	307
		<u>5,227</u>	<u>7,605</u>

Notes:

- (i) During the year ended 30 June 2023, the Group recognised government grants of approximately HK\$48,000 (equivalent to approximately RMB43,000) (2022: HK\$24,000 (equivalent to approximately RMB20,000)) which related to Employee Support Scheme provided by The Government of the Hong Kong Special Administrative Region. There are no unfulfilled conditions or other contingencies attached to these subsidies for both years.
- (ii) The Group has entered into a business cooperation agreement with an independent third party (the “Cooperator”). Pursuant to the business cooperation agreement, the Cooperator would contribute farmlands while the Group would contribute property, plant and equipment for the purpose of providing farmlands and facilities to individual farmers and generating management income during the years ended 30 June 2023 and 2022. According to business cooperation agreement, the Group is entitled to 90% of the income generated and it was recognised in the consolidated statement of profit or loss.

8. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	184	–
Interest on lease liabilities (<i>note 15</i>)	12	2
	<u>196</u>	<u>2</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

9. LOSS BEFORE INCOME TAX

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

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
Auditor's remuneration		888	1,365
Depreciation of property, plant and equipment	14	7,063	8,064
Depreciation of right-of-use assets	15	2,578	1,708
Exchange loss/(gain), net		366	(76)
Office accommodation charges included in general and other administrative expenses	34(b)	2,556	2,252
Expenses relating to short term leases included in general and other administrative expenses	15	241	71
Loss on disposal of property, plant and equipment		1	8
Loss on written-off of property, plant and equipment	14	553	2,450
Loss on written-off of biological assets included in general and other administrative expenses	19	692	–
Loss on write-down of inventories included in cost of inventories	20	1,202	–
Plantation security charges included in general and other administrative expenses		987	971
Direct operating expenses arising from investment properties that generate rental income during the year		53	–
Legal and professional fees included in general and other administrative expenses (<i>note (b)</i>)		2,251	1,956
Employee benefit expenses (including directors' remuneration (<i>note 10</i>))			
– Salaries, allowance and benefits in kind		11,112	7,859
– Retirement benefit scheme contributions (<i>note (a)</i>)		675	583
		11,787	8,442

Notes:

- (a) As at 30 June 2023, the Group had no forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2022: Nil).
- (b) The amounts mainly represented company secretarial service fees, valuation service fees and financial advisory service fees for both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. DIRECTORS' REMUNERATION, FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

(a) Directors' remuneration

Remuneration paid or payable by the Company or its subsidiaries undertakings to the directors of the Company during the year, 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, is set out below:

	Directors' fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 30 June 2023				
Executive directors:				
Mr. Ng Ong Nee	–	–	–	–
Mr. Ng Hoi Yue (note (i))	–	2,090	16	2,106
Sub-total	–	2,090	16	2,106
Non-executive directors:				
Mr. James Francis Bittl	213	–	–	213
Mr. He Xiaohong (note (ii))	160	–	–	160
Sub-total	373	–	–	373
Independent non-executive directors:				
Mr. Liu Ruiqiang	213	–	–	213
Mr. Lai Zheng (note (iii))	107	–	–	107
Mr. Wang Tianshi (note (iii))	107	–	–	107
Ms. Liu Jie (note (iv))	103	–	–	103
Sub-total	530	–	–	530
Grand total	903	2,090	16	3,009

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. DIRECTORS' REMUNERATION, FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT (continued)

(a) Directors' remuneration (continued)

	Directors' fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
For the year ended 30 June 2022				
Executive directors:				
Mr. Ng Ong Nee	–	–	–	–
Mr. Ng Hoi Yue (note (i))	–	1,613	15	1,628
Sub-total	–	1,613	15	1,628
Non-executive directors:				
Mr. James Francis Bittl	205	–	–	205
Mr. He Xiaohong (note (ii))	307	–	–	307
Sub-total	512	–	–	512
Independent non-executive directors:				
Mr. Liu Ruiqiang	205	–	–	205
Mr. Lai Zheng (note (iii))	26	–	–	26
Mr. Wang Tianshi (note (iii))	26	–	–	26
Dr. Lui Ming Wah, PhD, SBS, JP (note (v))	102	–	–	102
Mr. Yang Zhen Han (note (v))	102	–	–	102
Sub-total	461	–	–	461
Grand total	973	1,613	15	2,601

Notes:

- (i) Mr. Ng Hoi Yue resigned as an executive director on 30 June 2023.
- (ii) Mr. He Xiaohong retired as a non-executive director on 30 December 2022.
- (iii) Mr. Lai Zheng and Mr. Wang Tianshi were appointed as independent non-executive directors on 29 March 2022.
- (iv) Ms. Liu Jie was appointed as an independent non-executive director on 11 July 2022.
- (v) Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han retired as independent non-executive directors on 30 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

10. DIRECTORS' REMUNERATION, FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT (continued)

(a) Directors' remuneration (continued)

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

Except for Mr. Ng Ong Nee waived his director's remuneration of approximately RMB1,385,000 (2022: RMB1,331,000) during the year ended 30 June 2023, no other director has waived or agreed to waive any remuneration during the year.

The Group has been providing an accommodation to Mr. Ng Hoi Yue (resigned as an executive director on 30 June 2023) and his family members with no charge, which the property is leased from an independent third party. The estimated money value of the benefit in kind was approximately RMB410,000 (2022: RMB393,000).

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the year ended 30 June 2023 included one director (2022: one director), whose remunerations were reflected in the analysis shown in the note (a) above. The remuneration paid and payable to the remaining 4 (2022: 4) highest paid individuals during the year is as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowance and benefits in kind	3,378	2,457
Retirement benefit scheme contributions	51	136
	<u>3,429</u>	<u>2,593</u>

During the year ended 30 June 2023, 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 (2022: Nil).

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	Number of individual	
	2023	2022
Nil to HK\$1,000,000	1	4
HK\$1,000,001 to HK\$1,500,000	3	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

11. INCOME TAX (CREDIT)/EXPENSE

Income tax (credit)/expense in the consolidated statement of profit or loss represents:

	2023 RMB'000	2022 RMB'000
The PRC Enterprise Income Tax ("EIT")		
– Current year	141	1,670
– Over-provision in prior years	(335)	–
	<u>(194)</u>	<u>1,670</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdiction in which members of the Group are domiciled and operated.

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

The Group determined its provision for the PRC EIT 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.

The PRC EIT has been provided at the rate of 25% (2022: 25%) on the assessable profits of the Group's subsidiaries in the PRC during the year ended 30 June 2023, except certain subsidiaries operating in the PRC which were qualified small and micro-sized enterprises under Caishui [2019] No. 13, are eligible for using EIT rates at 10% and 2.5% (2022: 10% and 2.5%) during the year ended 30 June 2023. In addition, one of the indirect wholly-owned PRC subsidiaries engaged in qualifying agricultural business which entitled full EIT exemption on profits derived from such business during the years ended 30 June 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

11. INCOME TAX (CREDIT)/EXPENSE (continued)

A reconciliation of the income tax (credit)/expenses applicable to loss before income tax at the applicable tax rates to income tax (credit)/expense at the effective tax rate is as follows:

	2023 RMB'000	2022 RMB'000
Loss before income tax	(58,924)	(19,026)
Tax at domestic income tax rate	(13,230)	(3,707)
Tax effect of non-deductible expenses	(55)	(211)
Tax effect of non-taxable income	504	372
Tax effect of tax losses not recognised	8,237	4,551
Tax effect of temporary difference not recognised	4,685	665
Over-provision in prior years	(335)	–
Income tax (credit)/expense	(194)	1,670

Deferred tax assets

At 30 June 2023, the Group had unused tax losses of approximately RMB30,001,000 (2022: RMB17,513,000) available to offset against future profits sourced in the PRC. Such unused tax losses are subject to the approval of the PRC tax authorities and can be carried forward for five years from the year when the corresponding loss was incurred. No deferred tax asset has been recognised due to unpredictability of future profit streams.

Deferred tax liabilities

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.

At 30 June 2023, temporary withholding tax differences relating to the undistributed profits of the PRC subsidiaries amounted to approximately RMB3,206,000 (2022: RMB6,185,000). Deferred tax liabilities amounted to approximately RMB160,000 (2022: RMB309,000) have not been recognised in respect of the tax that would be payable on the distribution of these retained earnings as the Company is in a position to control the dividend policy of the PRC subsidiaries and it has been determined that it is probable that undistributed profits of the PRC subsidiaries will not be distributed in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

12. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Loss for the year attributable to the owners of the Company for the purpose of basic loss per share	<u>(58,730)</u>	<u>(20,696)</u>
	Number of shares	
	2023 '000	2022 '000
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>2,499,638</u>	<u>2,499,638</u>

Diluted loss per share were the same as the basic loss per share as there were no dilutive potential shares outstanding during the years ended 30 June 2023 and 2022.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

14. 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								
At 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(b))	-	-	-	-	-	3	-	3
Transfer	(312)	312	-	-	-	-	-	-
Disposal and written-off	-	-	-	-	(286)	-	(4,667)	(4,953)
Exchange alignment	-	-	-	-	11	-	-	11
	<u>418</u>	<u>31,116</u>	<u>1,614</u>	<u>4,365</u>	<u>2,717</u>	<u>91,129</u>	<u>49,583</u>	<u>180,942</u>
At 30 June 2022 and 1 July 2022	418	31,116	1,614	4,365	2,717	91,129	49,583	180,942
Additions (note)	8,963	-	-	31	-	4,626	-	13,620
Transfer	(8,963)	-	-	-	-	8,963	-	-
Transfer to investment properties (note 16)	-	(27,337)	-	-	-	-	-	(27,337)
Disposal and written-off	-	-	(87)	(2,940)	-	-	-	(3,027)
Exchange alignment	-	-	-	8	23	-	-	31
	<u>418</u>	<u>3,779</u>	<u>1,527</u>	<u>1,464</u>	<u>2,740</u>	<u>104,718</u>	<u>49,583</u>	<u>164,229</u>
At 30 June 2023	418	3,779	1,527	1,464	2,740	104,718	49,583	164,229
Accumulated depreciation and impairment								
At 1 July 2021	-	11,779	848	3,236	2,807	77,565	15,874	112,109
Charge for the year (note 9)	-	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
	<u>-</u>	<u>12,842</u>	<u>972</u>	<u>3,459</u>	<u>2,684</u>	<u>79,893</u>	<u>17,858</u>	<u>117,708</u>
At 30 June 2022 and 1 July 2022	-	12,842	972	3,459	2,684	79,893	17,858	117,708
Charge for the year (note 9)	-	388	125	47	32	2,728	3,743	7,063
Written back upon transfer to investment properties (note 16)	-	(12,391)	-	-	-	-	-	(12,391)
Written back upon disposal, transfer and written-off	-	-	(75)	(2,399)	-	-	-	(2,474)
Impairment loss for the year	-	-	134	7	1	4,292	27,982	32,416
Exchange alignment	-	-	-	9	6	-	-	15
	<u>-</u>	<u>839</u>	<u>1,156</u>	<u>1,123</u>	<u>2,723</u>	<u>86,913</u>	<u>49,583</u>	<u>142,337</u>
At 30 June 2023	-	839	1,156	1,123	2,723	86,913	49,583	142,337
Carrying amounts								
At 30 June 2023	418	2,940	371	341	17	17,805	-	21,892
At 30 June 2022	418	18,274	642	906	33	11,236	31,725	63,234

Note: The additions during the year ended 30 June 2023 mainly represented the irrigation systems and planting fence in relation to the plantation of passion fruits, while the additions during the year ended 30 June 2022 represented the acquisition of buildings located in the PRC as disclosed in note 15.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The directors of the Company identified productivity on cultivations of citrus trees and the quality of citrus are expected to be low. Therefore, the impairment loss on bearer plants under property, plant and equipment amounting to approximately RMB27,982,000 (2022: Nil) was recognised in the consolidated profit or loss during the year ended 30 June 2023.

In addition, the directors of the Company concern about the recoverability of the carrying amounts of the Plantation Business CGU and performing impairment review on non-financial assets in relation to the Plantation Business CGU. The recoverable amount had been determined based on a value-in-use calculation. The calculation uses cash flow projections based on the financial budgets approved by the directors of the Company based on their best estimations. The projected period covered 5 years and the pre-tax discount rate used in the forecast was 17.2% and zero terminal growth rate was adopted. As a result, further impairment loss on property, plant and equipment (other than bearer plants) in relation to the Plantation Business CGU amounting to approximately RMB4,434,000 (2022: Nil) was recognised in the consolidated profit or loss during the year ended 30 June 2023.

15. RIGHT-OF-USE ASSETS

	Leasehold land RMB'000	Leased properties RMB'000	Total RMB'000
Cost			
At 1 July 2021	–	–	–
Additions	53,533	103	53,636
At 30 June 2022 and 1 July 2022	53,533	103	53,636
Additions	–	4,899	4,899
Derecognised upon early termination of lease	–	(103)	(103)
At 30 June 2023	53,533	4,899	58,432
Accumulated depreciation			
At 1 July 2021	–	–	–
Charge for the year (note 9)	1,691	17	1,708
At 30 June 2022 and 1 July 2022	1,691	17	1,708
Charge for the year (note 9)	2,537	41	2,578
Derecognised upon early termination of lease	–	(25)	(25)
At 30 June 2023	4,228	33	4,261
Carrying amount			
At 30 June 2023	49,305	4,866	54,171
At 30 June 2022	51,842	86	51,928

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

15. RIGHT-OF-USE ASSETS (continued)

The analysis of expense items in relation to leases recognised in the consolidated profit or loss is as follows:

	2023 RMB'000	2022 RMB'000
Depreciation of right-of-use assets (as above)	2,578	1,708
Gain on termination of lease (note 7)	2	–
Interest on lease liabilities (note 8)	12	2
Total amount recognised in consolidated profit or loss	<u>2,592</u>	<u>1,710</u>

Properties leased for own use

During the year ended 30 June 2023, the Group leased a warehouse in the PRC for its operations. Lease contract was entered into for a fixed term of 7 years and 7 months.

During the year ended 30 June 2022, the Group leased an office in the PRC for its operations. Lease contract was entered into for a fixed term of 26 months. The lease was early terminated during the year ended 30 June 2023 and the corresponding right-of-use asset and lease liabilities were derecognised during the year, as a result, a gain on termination of a lease of approximately RMB2,000 was recognised as other income in the consolidated statement of profit or loss (note 7).

Both lease terms were negotiated on an individual basis and contained a wide range of different terms and conditions. The lease agreement did not impose any covenants other than the security interests in the leased asset that was held by the lessors. Leased asset might not be used as security for borrowing purposes.

Ownership interests in leasehold land held for own use

During the year ended 30 June 2022, the Group acquired a leasehold land and various buildings located in Shenzhen, the PRC from an individual, 高錫武 (Mr. Gao Xiwu) who is an independent third party to the Group at a total consideration of RMB57,000,000, which comprised of land and building portions amounting to approximately RMB53,533,000 (as above) and RMB3,467,000 (note 14) and were recognised under right-of-use assets and property, plant and equipment, respectively. The acquisition of the leasehold land and properties was completed on 30 November 2021.

The Group is the registered owner of the leasehold land and buildings. Upfront payments were made to acquire the leasehold land and buildings, and there are no ongoing payments to be made under the terms of the leasehold land and buildings. The industrial land and buildings were leased for 21 years for commercial use.

Amounts included in the consolidated statements of cash flows comprises the following:

	2023 RMB'000	2022 RMB'000
Within financing cash flow – fixed payments (note 37(b))	9	17
Within operation cash flow – expenses relating to short-term leases (note 9)	241	71
Total cash outflow for leases	<u>250</u>	<u>88</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

16. INVESTMENTS PROPERTIES

	RMB'000
At fair value	
At 1 July 2021, 30 June 2022 and 1 July 2022	–
Reclassified from property, plant and equipment (<i>note 14</i>)	15,590
Changes in fair value recognised in consolidated profit or loss	(530)
	<hr/>
At 30 June 2023	15,060

During the year ended 30 June 2023, the Group leased out a commercial building located in the PRC to an independent third party in which the building was originally occupied by the Group and was classified as property, plant and equipment with carrying amount of approximately RMB14,946,000 (*note 14*) at the lease commencement date (i.e. 1 September 2022).

On 1 September 2022, the building was reclassified from property, plant and equipment to investment properties and measured at fair value of approximately RMB15,590,000 which has been arrived at basis of a valuation carried out by Peak Vision Appraisals Limited ("**Peak Vision**"), an independent qualified professional valuer, which is not connected to the Group. Accordingly, the fair value changes of approximately RMB644,000 was recognised in the consolidated statement of other comprehensive income on that date.

At 30 June 2023, the fair value of the investment properties was approximately RMB15,060,000 based on the valuation carried out by Peak Vision. The fair value changes of approximately RMB530,000 was recognised in the consolidated statement of profit or loss during the year ended 30 June 2023.

Peak Vision has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations.

The fair value of investment properties is a level 3 fair value measurement. The reconciliation movement of fair value balance is shown as above table.

The fair value of investment properties was based on the income capitalisation approach which capitalised the net income of the properties and takes into account the significant adjustments on term yield to account for the risk upon reversion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

16. INVESTMENTS PROPERTIES (continued)

Set out below is a table which presents the significant unobservable inputs:

Significant unobservable inputs	As at 30 June 2023 RMB'000	Valuation techniques	Unobservable inputs	Range of unobservable inputs
Commercial building located in Guangxi, the PRC	15,060	Income capitalisation	Monthly rentals (per square meter/month)	RMB13.6 to RMB14.8
			Term yields	2.5%
			Reversionary yields	5%

Relationships of unobservable inputs to fair value are as follows:

- The higher the term yields/reversionary yields, the lower the fair value; and
- The higher the monthly rental, the higher the fair value.

The Group as a lessor

As at 30 June 2023, the undiscounted lease payments receivables by the Group in future period under non-cancellable operating leases with its tenants are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	300	–
After one year but within two years	319	–
After two years but within three years	328	–
After three years but within four years	338	–
After four years but within five years	348	–
Over five years	3,647	–
	<u>5,280</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 RMB'000	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 cash 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 the consolidated statement of 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.

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 partially redeemed the investment funds at aggregate amounts of approximately RMB16,807,000 (the "**1st Redemption**"). As a result, a fair value gain of approximately RMB5,534,000 was reclassified from financial assets at FVTOCI reserve to accumulated losses. The proceed of the 1st Redemption was included in other receivables as at 30 June 2022 (note 21(b)).

During the year ended 30 June 2023, the Group redeemed the remaining investment funds at approximately RMB3,319,000. As a result, a fair value gain of approximately RMB1,186,000 was reclassified from financial assets at FVTOCI reserve to accumulated losses.

Details of the fair value measurement as at 30 June 2023 are set out in note 36(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

18. GOODWILL

	RMB'000
At 1 July 2021 and 30 June 2022 and 1 July 2022	–
Acquisition of Shaanxi Pinshang (as defined below) (note 33(a))	2,916
At 30 June 2023	2,916

Goodwill was arising from the acquisition of Shaanxi Pinshang on 31 March 2023 as disclosed in note 33(a). For the purpose of impairment testing on goodwill, the management of the Company allocated goodwill to the Fruit Distribution Business CGU.

The recoverable amount of the operating subsidiary located in the PRC is determined based on value-in-use calculations. These calculations use profit projections based on financial budgets approved by the management of the Company covering a 2.5-year period. The pre-tax discount rate used of 21.3% for the operating subsidiary located in the PRC. The management of the Company determined the budgeted revenue and budgeted gross margin based on past performance and its expectations for the market development. The cash flows beyond 2.5 years have been extrapolated using a steady 3.00% per annum growth rate.

Assumptions were used in the value-in-use calculations of the operating subsidiary located in the PRC for the year ended 30 June 2023. The following describes each key assumption on which the management of the Company has based its cash flows projections to undertake impairment testing of goodwill:

Business growth rate – The basis used to determine the value assigned to the budgeted sales during the 2.5-year projection period is the sales growth rate achieved in the prior year immediately before the budget year.

Pre-tax discount rates – The pre-tax discount rates used are before income tax and reflect specific risks relating to the relevant units.

The values assigned to the key assumptions on the operating subsidiary located in the PRC are consistent with external information sources.

The management of the Company has calculated that the value-in-use of the operating subsidiary and concluded that the recoverable amount is greater than their total carrying amount of the assets of the subsidiary including allocated goodwill and therefore has concluded that there is no impairment in respect of the Group's goodwill during the year ended 30 June 2023.

The directors of the Company have not identified any key assumptions where a reasonably possible change in such assumptions could cause the carrying amount of goodwill to exceed the recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

19. BIOLOGICAL ASSETS

	RMB'000	
At 1 July 2021		520
Increase due to cultivation		8,283
Realised gain from changes in fair value less costs to sell		617
Decrease due to harvested		(8,510)
At 30 June 2022 and 1 July 2022		910
Increase due to cultivation		2,748
Realised loss from changes in fair value less costs to sell		(51)
Written-off (<i>note 9</i>)		(692)
Decrease due to harvested		(664)
At 30 June 2023		2,251
	2023	2022
	RMB'000	RMB'000
Oranges	–	490
Passion fruits	2,251	420
	2,251	910

Notes:

- (a) During the year ended 30 June 2023, the Group harvested approximately 68 tones (2022: 3,406 tones) of saleable oranges and passion fruits. The directors of the Company measured the fair value less costs to sell of oranges and passion fruits at the point of harvest based on market prices as at or close to the harvest dates.
- (b) The growing produce cultivated by an indirectly wholly-owned subsidiary of the Company, namely 廣西合浦冠華農業有限公司 (Guangxi Hepu Guanhua Agriculture Co., Ltd.) ("**Guangxi Hepu Guanhua**"). Oranges are harvested annually from December to June, while passion fruits are harvested bi-annually during June to August and February to March.

As 30 June 2023, the balance represented the passion fruits with carrying amount of approximately RMB2,251,000 which were valued by Peak Vision, an independent professionally qualified valuer who holds a recognised relevant professional qualification and has recent experience in the biological assets being valued. These biological assets have been classified as level 3 in the fair value hierarchy. The significant unobservable inputs used in the valuation are as follows:

	2023
Selling price of passion fruits (per kilogram)	RMB19.8
Pre-tax discount rate	17.2%
Production per mu (in kilogram)	1,500 to 2,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

19. BIOLOGICAL ASSETS (continued)

Notes: (continued)

(b) (continued)

Relationships of unobservable inputs to fair value are as follows:

- The higher selling price of passion fruits (per kilogram), the higher the fair value;
- The higher pre-tax discount rate, the lower the fair value; and
- The higher production per mu (in kilogram), the higher the fair value.

At 30 June 2022, future economic benefit and expected harvest quantity in respect of oranges 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, while the seeding of passion fruit trees were closed to the end of the reporting period. 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 were stated at cost as at 30 June 2022, representing cultivation cost incurred, mainly comprising fertilisers, pesticides and labour costs.

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. The management of the Company 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. The management of the Company 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

20. INVENTORIES

	2023 RMB'000	2022 RMB'000
Raw materials	1,175	1,023
Finished goods	11,369	18,469
	12,544	19,492

During the year ended 30 June 2023, the Group recognised loss on write-down of inventories amounting to approximately RMB1,202,000 (2022: Nil) due to damages of fruits during packaging and transportation (note 9).

21. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables, gross	3,022	6,623
Less: Allowance for ECL on trade receivables	(79)	(204)
Trade receivables, net (<i>note (a)</i>)	2,943	6,419
Deposits paid and other receivables, gross	12,986	31,264
Less: Allowance for ECL on other receivables	(6,563)	(6,678)
Deposits paid and other receivables, net (<i>note (b)</i>)	6,423	24,586
Trade and other receivables, net	9,366	31,005

Notes:

- (a) The Group generally granted a credit period of 30 days (2022: 30 days) to customers for sales of fruits, while no credit period was granted to sales of air-conditioners as the Group generally requests customers to pay in advance.

The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. Trade receivables are non-interest bearing and the Group does not hold any collateral in relation to these receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2023

21. TRADE AND OTHER RECEIVABLES *(continued)*

Notes: *(continued)*

(a) *(continued)*

The ageing analysis of trade receivables, net of ECL allowance, based on the due dates, is as follows:

	2023 RMB'000	2022 RMB'000
Neither past due nor impaired	2,709	2
1 to 30 days past due	18	5,189
31 to 60 days past due	4	303
61 to 90 days past due	–	533
Over 90 days past due	212	392
	2,943	6,419

The ageing analysis of trade receivables, net of ECL allowance, based on the invoice dates, is as follows:

	2023 RMB'000	2022 RMB'000
1 to 30 days	2,727	5,191
31 to 60 days	4	303
61 to 90 days	–	533
Over 90 days	212	392
	2,943	6,419

The movements in allowances for ECL on trade receivables are as follows:

	RMB'000
At 1 July 2021	71
Provision for ECL allowance recognised to the consolidated profit or loss, net	133
At 30 June 2022 and 1 July 2022	204
Reversal of ECL allowances recognised to the consolidated profit or loss, net	(125)
At 30 June 2023	79

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

21. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

- (b) At 30 June 2023, the gross balances mainly comprised of an amount due from the Cooperator amounting to approximately RMB10,491,000 (2022: RMB14,275,000) in relation to the management income distributions as mentioned in note 7(ii). The provision for ECL allowance on this amount due amounted to approximately RMB6,540,000 (2022: RMB6,540,000) as at 30 June 2023. The amount due was unsecured, non-interest bearing and repayable on demand.

At 30 June 2022, the balance also included proceeds receivables in respect of the redemption of investment funds of approximately RMB16,807,000 as mentioned in note 17 which was received in full during the year ended 30 June 2023.

The movements in allowances for ECL on other receivables are as follows:

	RMB'000
At 1 July 2021	4,273
Provision for ECL allowance recognised to the consolidated profit or loss, net	<u>2,405</u>
At 30 June 2022 and 1 July 2022	6,678
Reversal of ECL allowance recognised to the consolidated profit or loss, net	(121)
Exchange alignment	<u>6</u>
At 30 June 2023	<u>6,563</u>

Details of impairment assessment of trade and other receivables are set out in note 36(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

22. LOAN RECEIVABLES

	2023 RMB'000	2022 RMB'000
Loan receivables (including interest receivables of approximately RMB398,000 (2022: RMB98,000))	8,398	7,098
Less: Allowance for ECL on loan receivables	(1,725)	(120)
	<u>6,673</u>	<u>6,978</u>

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, 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. The principal and interest receivables were fully settled during the year ended 30 June 2023.

On 2 September 2022, the Group entered into a loan agreement with an individual, who is independent third party to the Group. The loan with principal amount of RMB8,000,000, carrying a fixed interest rate at 6% per annum and repayable on 1 June 2023, is guaranteed by Mr. Kung. In May 2023, a supplementary agreement was entered to extend the repayment date to 31 December 2023 while other terms remain the same.

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

	RMB'000
At 1 July 2021	–
Provision for ECL allowance recognised to the consolidated profit or loss	120
At 30 June 2022 and 1 July 2022	120
Reversal of ECL allowance recognised to the consolidated profit or loss	(120)
Provision for ECL allowance recognised to the consolidated profit or loss	1,725
At 30 June 2023	<u>1,725</u>

The Group does not hold any collateral over these balances.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

22. LOAN RECEIVABLES (continued)

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 July 2021	–	–	–	–
Additions	7,098	–	–	7,098
At 30 June 2022 and 1 July 2022	7,098	–	–	7,098
Additions	8,398	–	–	8,398
Transfer to lifetime ECL credit impaired (Stage 3)	(8,398)	–	8,398	–
Settlements during the year	(7,098)	–	–	(7,098)
At 30 June 2023	–	–	8,398	8,398

Analysis of changes in the corresponding credit loss allowance is as follows:

	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 July 2021	–	–	–	–
Additions	120	–	–	120
At 30 June 2022	120	–	–	120
ECL rates	1.7%	N/A	N/A	1.7%
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
At 1 July 2022	120	–	–	120
Additions	234	–	–	234
Settlements	(120)	–	–	(120)
Transfer to lifetime ECL credit impaired (Stage 3)	(234)	–	234	–
Change in risk parameters	–	–	1,491	1,491
At 30 June 2023	–	–	1,725	1,725
ECL rates	N/A	N/A	20.5%	20.5%

Details of impairment assessment of loan receivables are set out in note 36(b).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

23. PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Prepayments to suppliers (<i>note (a)</i>)	8,925	5,697
Other prepayments (<i>note (b)</i>)	6,032	45
	14,957	5,742

Notes:

- (a) At 30 June 2023, the balance of approximately RMB8,925,000 (2022: RMB5,697,000) represented prepayments to the suppliers for the procurement of inventories, which were expected to be utilised as cost of inventories incurred within the next financial year. Included in the balance, the amount of approximately RMB4,624,000 (2022: Nil) were pledged to secure the bank borrowings (*note 29*).
- (b) The balance as at 30 June 2023 included prepayments of approximately RMB6,000,000 (2022: Nil) to the Cooperator in relation to consultation fee on plantation, which were expected to be utilised as expenses within the next financial year.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Listed securities, unlisted notes held for trading and contingent consideration receivable, at fair value:		
Equity securities listed in Hong Kong (<i>note (a)</i>)	3,259	–
Equity securities listed in United States (<i>note (a)</i>)	11,289	–
Unlisted notes (<i>note (b)</i>)	7,574	–
Contingent Consideration Receivable (<i>notes (c) and 33(a)</i>)	61	–
	22,183	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

	Equity securities listed in Hong Kong and United States (note (a)) RMB'000	Unlisted notes (note (b)) RMB'000	Contingent Consideration Receivable (note (c)) RMB'000	Total RMB'000
At 1 July 2021, 30 June 2022 and 1 July 2022	–	–	–	–
Arising from the Acquisition (note 33(a))	–	–	1,003	1,003
Additions	17,428	9,764	–	27,192
Disposal	(6,292)	–	–	(6,292)
Net realised gain (note 7)	414	–	–	414
Changes in fair value recognised in consolidated profit or loss	2,393	(2,514)	(942)	(1,063)
Exchange alignment	605	324	–	929
At 30 June 2023	14,548	7,574	61	22,183

Notes:

- (a) The Group has acquired listed securities through a security company in Hong Kong during the year ended 30 June 2023. These listed securities were classified as financial assets at FVTPL as they were held for trading. The fair values of these listed securities as at 30 June 2023 were determined based on the quoted market closing prices on the Stock Exchange and the National Association of Securities Dealers Automated Quotations Stock Market.

During the year ended 30 June 2023, certain listed securities were disposed of and a net realised gain on the disposal and the dividends received from these equity securities amounting to approximately RMB414,000 (2022: Nil) and RMB39,000 (2022: Nil), respectively were recognised as an other income in the consolidated statement of profit or loss (note 7). In addition, an unrealised gain of these listed securities amounting to approximately RMB2,393,000 (2022: Nil) was also recognised to the consolidated statement of profit or loss.

- (b) During the year ended 30 June 2023, the Group has set up an investment account in a security company in Hong Kong which managed by an investment manager who is an independent third party to the Group, and has the power and authority to manage and make decisions for the investments. Unlisted notes were acquired during the year ended 30 June 2023 and were classified as financial assets at FVTPL as they were held for trading. In addition, an unrealised loss of these unlisted notes amounting to approximately RMB2,514,000 (2022: Nil) was also recognised to the consolidated statement of profit or loss.

- (c) The balance also included the Contingent Consideration Receivable arising from the Profit Guarantee in relation to the Acquisition as disclosed in note 33(a). Pursuant to the Profit Guarantee, the potential undiscounted amount of the Contingent Consideration Receivable that the Group could receive is between nil and RMB1,500,000.

The fair value of the Contingent Consideration Receivable as at 30 June 2023 has been arrived at on the basis of a valuation carried out by LCH (Asia-Pacific) Surveyors Limited ("LCH"), a firm of independent qualified professional valuers, which is not connected to the Group. LCH adopted the Black-Scholes model and considering the volatility of 25% and risk free rate of 1.85%.

For the year ended 30 June 2023, a fair value loss of approximately RMB942,000 (2022: Nil) was recognised to the consolidated statement of profit or loss.

Details of the fair value measurement are disclosed in note 36(d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

25. CASH AND CASH EQUIVALENTS

	2023 RMB'000	2022 RMB'000
Cash and cash equivalents	26,099	48,100

Cash and cash equivalents represent cash at banks and on hand. Bank balances carry interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Included in bank balances, there was approximately RMB24,497,000 (2022: RMB18,092,000) denominated in RMB and deposited with banks in the PRC as at 30 June 2023, RMB is not freely convertible into other currencies, however, under Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations in the PRC, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Details of impairment assessment of cash and cash equivalents are set out in note 36(b).

26. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables (<i>note (a)</i>)	23,322	3,547
Other payables and accruals (<i>note (b)</i>)	2,864	5,610
Accrued staff costs	686	552
Amount due to JAC (as defined in <i>note 33(b)</i>) (<i>note (c)</i>)	–	18,659
Amount due to a director (<i>note (d)</i>)	142	130
	27,014	28,498

Notes:

- (a) The average credit period granted by suppliers was 30 days (2022: 30 days).

Ageing analysis of trade payables, based on invoice dates, as at the end of reporting period is shown as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	22,788	3,482
Over 3 months but within 1 year	354	24
Over 1 year	180	41
	23,322	3,547

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

26. TRADE AND OTHER PAYABLES (continued)

Notes: (continued)

- (b) At 30 June 2023, other payables and accruals mainly comprise of accrued legal and professional fees of approximately RMB1,443,000 (2022: RMB2,152,000). The balances of other payables and accruals are expected to be settled within one year or are repayable on demand.
- (c) At 30 June 2022, there was an amount due to JAC in respect of the advance to an indirectly wholly-owned subsidiary of the Company, Jinlong Construction of approximately RMB18,659,000, which was interest free and repayable on demand. The amount was settled by cash in full during the year ended 30 June 2023.
- (d) The amount due to an executive director of the Company, Mr. Ng Ong Nee was unsecured, non-interest bearing and repayable on demand.

27. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Contract liabilities arising from:		
Sale of various fruits	4,030	164
Sale of air-conditioners	676	–
	<u>4,706</u>	<u>164</u>

Contract liabilities arise when the Group receives deposits in advance when entering into contracts. The contract liabilities primarily relate to the advance consideration received from the customers for trading of fruits and sale of air-conditioners, revenue from which is recognised when the performance obligation is satisfied by delivering the fruits and the air-conditioners to the customers.

The amount of contract liabilities under trading of fruits is negotiated on a case by case basis with customers, while the Group generally requests customers to pay in advance for sales of air-conditioners.

The following table shows how much of the revenue recognised in the current year in relation to carried-forward contract liabilities:

	2023 RMB'000	2022 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>164</u>	<u>39,411</u>

At 1 July 2021, contract liabilities amounted to approximately RMB39,411,000.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2023

28. LEASE LIABILITIES

	2023		2022	
	Present value of minimum lease payments RMB'000	Minimum lease payments RMB'000	Present value of minimum lease payments RMB'000	Minimum lease payments RMB'000
Within one year	425	633	46	50
After one year but within two years	523	720	42	44
After two years but within five years	1,875	2,304	–	–
Over five years	2,087	2,218	–	–
	<u>4,910</u>	<u>5,875</u>	<u>88</u>	<u>94</u>
Less: Total future interest expenses		<u>(965)</u>		<u>(6)</u>
Present value of lease liabilities		<u>4,910</u>		<u>88</u>
Analysed into:				
Current portion		425		46
Non-current portion		<u>4,485</u>		<u>42</u>
		<u>4,910</u>		<u>88</u>
Analysed into:				
Leasehold properties		<u>4,910</u>		<u>88</u>

The weighted average incremental borrowing rate applied to lease liabilities is approximately 4.82% (2022: 7.59%) per annum at 30 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

29. BANK BORROWINGS

	2023 RMB'000	2022 RMB'000
Secured bank borrowings	<u>3,428</u>	<u>–</u>
Analysed into:		
Current portion	<u>2,286</u>	<u>–</u>
Non-current portion	<u>1,142</u>	<u>–</u>
	<u>3,428</u>	<u>–</u>

During the year ended 30 June 2023, the Group obtained several bank loans from a commercial bank in the PRC with total principal amounts of RMB5,000,000 (2022: Nil) for the purpose of prepaying to a supplier of Air-conditioners Distribution Business. The borrowings were directly deposited to the supplier by the bank during the year ended 30 June 2023 and the details of non-cash transaction are set out in note 37(a).

Pursuant to the loan agreements entered between an indirect wholly-owned subsidiary of the Company, the supplier and the bank, the subsidiary granted an authorisation to the bank that if the subsidiary fail to repay the bank borrowings, the bank could request repayments from the supplier based on the prepayments made by the subsidiaries.

The borrowings carried at fixed interest rates ranging from 6.12% to 7.13% (2022: Nil) per annum and the borrowings are repayable by monthly instalments and due in December 2024. During the year ended 30 June 2023, the Group repaid principal amounts of approximately RMB1,572,000 in aggregate to the bank.

The bank borrowings are secured by certain prepayments to the supplier which amounted to approximately RMB4,624,000 (2022: Nil) at 30 June 2023 (note 23).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2023

30. SHARE CAPITAL

	Number of ordinary shares	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
<u>Authorised:</u>		
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	<u>5,000,000,000</u>	<u>50,000</u>
<u>Issued and fully paid:</u>		
At 1 July 2021, 30 June 2022, 1 July 2022 and 30 June 2023	<u>2,499,637,884</u>	<u>24,996</u>
		RMB'000
Equivalent to		<u>22,831</u>

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 TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

31. RESERVES

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

(i) Share premium

Share premium represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

(ii) Financial assets at FVTOCI reserve

The financial assets at FVTOCI reserve comprises the cumulative net change in the fair value of financial assets at FVTOCI held at the end of the reporting period and is dealt with in accordance with the accounting policy in note 3(g) to the consolidated financial statements.

(iii) Revaluation reserve

The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for investment properties note 3(d), which represented cumulative gains and losses arising on the revaluation of the corresponding property, plant and equipment that have been recognised in other comprehensive income. Such items will not be reclassified to consolidated profit or loss in subsequent periods.

(iv) Statutory surplus reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC to the statutory surplus reserve until the balance of the reserve fund reaches 50% of the entity registered capital. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital, provided the remaining balance of the statutory surplus reserve is not less than 25% of registered capital.

(v) Exchange reserve

Translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3(p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. 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 capital/ share capital	Proportion of ownership interest/voting power held by the Company		Principal activities
				2023	2022	
Directly held:						
One Heart Holdings Limited	The BVI	Hong Kong	United States dollar ("US\$")100	100%	100%	Investment holding
Green Ray Enterprises Limited	The BVI	Hong Kong	US\$1	100%	100%	Investment holding
Golden Rain Group Limited	The BVI	Hong Kong	US\$100	100%	100%	Investment holding
Team Goal Group Limited	The BVI	Hong Kong	US\$1	100%	100%	Investment holding
Asian Citrus Management Company Limited	The BVI	Hong Kong	US\$1	100%	100%	Investment holding
New Congress Holdings Limited	The BVI	Hong Kong	US\$1	100%	100%	Investment holding
Advance Honour Holdings Limited	The BVI	Hong Kong	US\$1	100%	100%	Investment holding
In-Season Limited (note (a))	The BVI	Hong Kong	US\$1	–	100%	Investment holding
Basic Cheer Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Cheer Kind Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Park Marvelous Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Fortune Richmate Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Richfield Enterprise Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Jet Bright Group Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Investment holding
Team Luck Develop Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. PARTICULAR OF SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ registration	Place of operation	Paid-up capital/ share capital	Proportion of ownership interest/voting power held by the Company		Principal activities
				2023	2022	
Indirectly held:						
Power Successful Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Highest Prosper Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Eternal Rich Worldwide Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Asia Wealthy Link Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Bright Treasure Group Holdings Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Surplus Mark Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Golden City Worldwide Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Victoria Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Asian Citrus (H.K.) Company Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Chance Full (HK) Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
Top Trend Corporation Limited	Hong Kong	Hong Kong	HK\$1	100%	100%	General commercial
深圳市冠華水果商城有限公司 (Shenzhen First Class Fruits Company Limited*) (note (b))	The PRC	The PRC	Nil	100%	100%	Distribution of fruits
Guangxi Hepu Guanhua (note (b))	The PRC	The PRC	RMB44,932,335	100%	100%	Planting, cultivation and sale of fruits
深圳市冠佳利實業有限公司 (Shenzhen Guanjiali Industrial Limited*) (note (b))	The PRC	The PRC	RMB17,996,000	100%	100%	Distribution of fruits
深圳市晉達實業有限公司 (Shenzhen Jinda Industrial Limited*) (note (b))	The PRC	The PRC	Nil	100%	100%	Investment holding
Jinlong Construction (note (b) and (c))	The PRC	The PRC	RMB10,000,000	100%	100%	Distribution and installation of air-conditioners
Shaanxi Pinshang (note (b) and (d))	The PRC	The PRC	Nil	100%	–	Distribution and sales of agricultural products

* For identification purpose only

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

32. PARTICULAR OF SUBSIDIARIES *(continued)*

Notes:

- (a) The subsidiary was de-registered during the year ended 30 June 2023.
- (b) At 30 June 2023, certain subsidiaries registered capital has not been fully paid up and the aggregated unpaid share capital amounted to approximately RMB94,504,000 (2022: RMB85,504,000).
- (c) Jinlong Construction was acquired during the year ended 30 June 2022 (note 33(b)).
- (d) Shaanxi Pinshang was acquired during the year ended 30 June 2023 (note 33(a)).

None of the subsidiaries had issued any debt securities at the end of the reporting period (2022: Nil).

33. ACQUISITION OF SUBSIDIARIES

(a) For the year ended 30 June 2023

On 16 February 2023, an indirect wholly-owned subsidiary of the Company entered into an equity transfer agreement with Vendors, independent third parties to the Group. Pursuant to the equity transfer agreement, the Group agreed to acquire 100% equity interest of Shaanxi Pinshang at a consideration of RMB4,500,000 by cash (the "**Acquisition**"). In additions, the Vendors guaranteed to the Group that the profit before income tax of Shaanxi Pinshang for the period from the date of completion of the Acquisition to 31 December 2023 shall not be less than of RMB1,500,000 (the "**Profit Guarantee**"). In the event that the Profit Guarantee could not be met, Vendors shall compensate the Group on a dollar-for-dollar basis on the shortfall by cash (the "**Contingent Consideration Receivable**") within one month after the Group makes such request.

Shaanxi Pinshang is principally engaged in distribution and sales of agricultural products with its comprehensive sales network in Shaanxi Province. The directors of the Company considered the Acquisition would enable the Group to expand its existing sales channels, increase the sales volume of agricultural products and deepen market penetration across northern PRC. The Acquisition has been accounted for as acquisition of business using acquisition method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

33. ACQUISITION OF SUBSIDIARIES (continued)

(a) For the year ended 30 June 2023 (continued)

The fair value of identifiable assets acquired and liabilities assumed of Shaanxi Pinshang as at the date of the Acquisition, 31 March 2023, are as follows:

	RMB'000
Trade and other receivables	3,210
Cash and cash equivalents	12
Trade and other payables	(2,637)
Tax payable	(4)
	<hr/>
Net assets acquired	581
The fair value of consideration transferred:	
Cash consideration	4,500
Contingent Consideration Receivable, at fair value (note 24)	(1,003)
	<hr/>
Total purchase consideration	3,497
	<hr/>
Goodwill arising on the Acquisition (note 18)	2,916
	<hr/>
Net cash outflow arising on the Acquisition:	
Cash consideration paid	(4,500)
Cash and cash equivalents acquired	12
	<hr/>
	(4,488)
	<hr/> <hr/>

The fair value of the trade and other receivables at the date of the Acquisition is similar to the carrying amount.

At the acquisition date, the fair value of the Contingent Consideration Receivable of approximately RMB1,003,000 which has been arrived at on the basis of a valuation carried out by LCH. LCH adopted the Black-Scholes Model and after considering the volatility of 25% and risk free rate of 2.21%.

The goodwill of approximately RMB2,961,000, which is not deductible for tax purposes, comprises the acquired reputation, the expected future profitability and the benefits from diversifying the revenue stream of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

33. ACQUISITION OF SUBSIDIARIES (continued)

(a) For the year ended 30 June 2023 (continued)

Impact of the Acquisition on the results of the Group

The Acquisition contributed revenue and net profit of approximately RMB54,943,000 and RMB1,064,000 respectively for the period from 31 March 2023 to 30 June 2023. If the Acquisition had occurred on 1 July 2022, pro forma consolidated revenue and pro forma consolidated loss of the Group for the year ended 30 June 2023 would have been approximately RMB189,350,000 and RMB57,202,000, respectively.

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 2022, nor is it intended to be a projection of future results.

(b) For the year ended 30 June 2022

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.

JAC 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 approximately RMB158,000 on the acquisition of Jinlong Construction was recognised in consolidated statement of profit or loss under other income (note 7). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

33. ACQUISITION OF SUBSIDIARIES (continued)

(b) For the year ended 30 June 2022 (continued)

Consideration transferred

	RMB'000
Cash consideration	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 14)	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

The fair value of the trade and other receivables at the date of the acquisition is similar to the carrying amount.

	RMB'000
Gain on bargain purchase:	
Consideration transferred	2,500
Less: Fair value of identifiable net assets acquired	(2,658)
Gain on bargain purchase (note 7)	(158)
Net cash outflow on acquisition:	
Cash consideration paid	(2,500)
Less: Cash and cash equivalents acquired	281
Net cash outflow on acquisition	(2,219)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

33. ACQUISITION OF SUBSIDIARIES (continued)

(b) For the year ended 30 June 2022 (continued)

Impact of acquisition on the results of the Group

The acquisition of Jinlong Construction contributed revenue of approximately RMB11,907,000 and net profit of approximately RMB738,000 for the period from 21 December 2021 to 30 June 2022. If the acquisition had occurred on 1 July 2021, pro forma consolidated revenue and pro forma consolidated loss of the Group for the year ended 30 June 2022 would have been approximately RMB254,812,000 and RMB19,783,000 respectively.

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. 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 and amount due to an executive director of the Company, Mr. Ng Ong Nee at the end of reporting period are set out in notes 22 and 26, respectively.

(b) Office accommodation arrangement

Office accommodation charges disclosed in note 9 included a sum of approximately RMB2,556,000 (2022: RMB2,252,000) in respect of a short-term arrangement for the provision of office accommodation and related facilities by a company of which is controlled by Mr. Kung and Mr. Kung and Mr. James Francis Bittl are the directors of the company.

(c) Compensation of key management personnel

The details of the remuneration paid to the key management personnel during the year are set out in note 10.

(d) Purchase of air-conditioners from a related party

During the year, the Group entered into a Framework Agreement with JAC. Pursuant to the Framework Agreement, the Group would purchase electrical appliances (including air-conditioners) from JAC. The price and terms of the purchase will be determined after arm's length negotiation between the Group and JAC based on normal commercial terms. No guarantee was given or received in accordance to the Framework Agreement.

The ultimate beneficial owner of JAC is Mr. Kung Hoi Pang who is the relative of Mr. Kung. The former ultimate beneficial owner of JAC was Mr. Kung Chun Lung, who is the father of Mr. Kung as disclosed in note 33 (b).

During the year ended 30 June 2023, the Group purchased air-conditioners amounting to approximately RMB9,945,000 (2022: Nil) from JAC. As at 30 June 2023, the Group has an amount due to JAC of approximately RMB7,731,000 (2022: Nil) which included in the trade payables (note 26).

Further details are disclosed in the Company's announcements dated 3 February 2023 and 14 March 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

	2023 RMB'000	2022 RMB'000
Financial assets		
At FVTOCI	–	3,202
At FVTPL	22,183	–
At amortised cost:		
Trade and other receivables	9,366	31,005
Loan receivables	6,673	6,978
Cash and cash equivalents	26,099	48,100
	64,321	89,285
Financial liabilities		
At amortised cost:		
Trade and other payables	24,885	25,582
Lease liabilities	4,910	88
Bank borrowings	3,428	–
	33,223	25,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's principal financial instruments include financial assets at FVTOCI, financial assets at FVTPL, trade and other receivables, loan receivables, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments include market risks (foreign currency risk, interest rate risk and other price 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. There has been no change to the Group's exposure or the manner in which it manages and measures the risk.

(a) Market risk

(i) Foreign currency risk

The Group is exposed to foreign currency risk primarily through its trade and other receivables, loan receivables, cash and cash equivalents, trade and other payables, that is denominated in foreign currencies other than the functional currency of the group entity. The currency giving rise to this risk is primarily HK\$.

The board of directors considers that the foreign currency exposure is minimal. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, the management monitors foreign exchange exposure closely and will consider 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	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
US\$	11,306	14	-	-
HK\$	12,748	46,620	1,612	2,508

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

(a) Market risk (continued)

(i) Foreign currency risk *(continued)*

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk of HK\$. The following table details the Group's sensitivity analysis, the analysis assumes a 10% increase and decrease in foreign currency against the functional currency, with all other variable held constant. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated in monetary items and adjusts their translation at the end of the reporting period for a 10% change in foreign currency rates. A positive number below indicates a decrease in post-tax loss where foreign currency strengthens 10% against functional currency. For a 10% weakening of foreign currency against the functional currency, there would be equal and opposite impact on the post-tax loss and the balances below would be negative.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after and income tax RMB'000	Increase/ (decrease) in foreign exchange rates	Decrease/ (increase) in loss after and income tax RMB'000
US\$	10% (10%)	944 (944)	10% (10%)	1 (1)
HK\$	10% (10%)	930 (930)	10% (10%)	3,683 (3,683)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

(a) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities, bank borrowings, and bank balances. Lease liabilities, bank borrowings and bank balances at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. The Group's interest rate profile is monitored by the management.

The Group's bank balances bear interest at variable interest rates, the directors of the Company considers that the exposure of the interest rate risk of bank balances is minimal, while lease liabilities and bank borrowings bear interest at fixed interest rates. Other than lease liabilities, bank borrowings and bank balances, the Group has no significant interest bearing assets and liabilities, the Group's operating cash flows are substantially independent of changes in market interest rates.

The Group will continue to monitor the exposure on cash flow interest rate risk and will consider hedging the interest rate when necessary. In the opinion of the directors of the Company, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

(iii) Other price risk

The Group is exposed to price risk arising from certain investments held by the Group are classified as financial assets at FVTPL in the consolidated statement of financial position.

The Group's equity price risk is mainly concentrated on listed equity instruments quoted in the stock markets and unlisted notes. The management manages this exposure by closely monitoring the price risk and maintaining a portfolio of investments with different risks.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks of financial assets at FVTPL at the end of reporting period.

If the prices of the respective equity instruments had been 10% (2022: Nil) higher/lower and all other variables were held constant, loss after income tax for the year would decrease/increase by approximately RMB1,852,000 (2022: Nil) as a result of the change in fair value of financial assets at FVTPL.

The market price of unlisted notes of approximately RMB7,574,000 (2022: Nil) depend on the valuation of the respective investments or underlying investments. If the unit price decreased/increased by 10%, loss after income tax for the year would have an estimated approximately RMB632,000 (2022: Nil) increase/decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and its investing activities. The carrying amounts of the financial assets represent the maximum exposure to credit risk.

The Group's credit risk is primarily attributable to trade and other receivables, 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.

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 2023, 49.46% (2022: 10.46%) and 96.99% (2022: 41.16%) of the total trade receivables were due from the Group's largest debtor and the five largest debtors respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

(b) Credit risk and impairment assessment *(continued)*

Trade receivables *(continued)*

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.

Ageing based on the past due –

As at 30 June 2023

	ECL rate	Gross carrying amount RMB'000	Allowance for ECL RMB'000	Net carrying amount RMB'000
Neither past due nor impaired	0.9%	2,733	(24)	2,709
0 to 30 days past due	N/A	18	–	18
31 to 60 days past due	N/A	4	–	4
61 to 90 days past due	N/A	–	–	–
Over 90 days past due	20.6%	267	(55)	212
		3,022	(79)	2,943

As at 30 June 2022

	ECL rate	Gross carrying amount RMB'000	Allowance for ECL RMB'000	Net carrying amount RMB'000
Neither past due nor impaired	N/A	2	–	2
0 to 30 days past due	1.2%	5,254	(65)	5,189
31 to 60 days past due	2.9%	312	(9)	303
61 to 90 days past due	4.8%	560	(27)	533
Over 90 days past due	20.8%	495	(103)	392
		6,623	(204)	6,419

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

(b) Credit risk and impairment assessment *(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 2023, the Group assessed the gross carrying amount of the amount due from the Cooperator amounting to approximately RMB10,491,000 (2022: RMB14,275,000) individually within lifetime ECL and provision of ECL allowance of approximately RMB6,540,000 (2022: RMB6,540,000) was recognised based on expected loss rate of 62.3% (2022: 45.8%).

The remaining gross carrying amounts of approximately RMB2,495,000 (2022: RMB16,989,000) were assessed within 12m ECLs based on average expected loss rate of 1.0% (2022: 0.8%) and provision for ECL allowance of approximately RMB23,000 (2022: RMB138,000) was recognised.

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. At 30 June 2023, the Group has assessed loan receivables with gross carrying amount of approximately RMB8,398,000 (2022: RMB7,098,000) with 12m ECLs based on average expected loss rate of 20.5% (2022: 1.7%) and provision for ECL allowance on loan receivables of approximately RMB1,725,000 (2022: RMB120,000).

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 ECLs 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 ECLs on bank balances is considered to be insignificant and therefore no loss allowance was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

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:

	Weighted average effective interest rate	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	Over 5 years RMB'000	Total contractual undiscounted cash outflow RMB'000	Carrying amount RMB'000
At 30 June 2023							
Trade and other payables	N/A	24,885	-	-	-	24,885	24,885
Bank borrowings	6.9%	2,452	1,166	-	-	3,618	3,428
Lease liabilities	4.8%	633	720	2,304	2,218	5,875	4,910
		<u>27,970</u>	<u>1,886</u>	<u>2,304</u>	<u>2,218</u>	<u>34,378</u>	<u>33,223</u>
At 30 June 2022							
Trade and other payables	N/A	25,582	-	-	-	25,582	25,582
Lease liabilities	7.6%	50	44	-	-	94	88
		<u>25,632</u>	<u>44</u>	<u>-</u>	<u>-</u>	<u>25,676</u>	<u>25,670</u>

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

(d) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.
- The notional amounts of financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, loan receivables, cash and cash equivalents, trade and other payables, lease liabilities and bank borrowings) are assumed to approximate their fair values.

The following table presents the carrying value of the Group's financial instruments measured at fair value across the three levels of the fair value hierarchy defined in IFRS 13 *Fair Value Measurement* with fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1: fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs.
- Level 3: fair values measured using significant unobservable input.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (continued)

(d) Fair value of financial instruments (continued)

Saved as disclosed in above notes, certain financial assets of the Group are measured at fair value at the end of each reporting period. Below is a summary of fair value hierarchy, valuation techniques used and the key inputs to evaluate the fair values of these financial assets:

Description	Fair value 2023 RMB'000	2022 RMB'000	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs
Unlisted investment funds classified as financial assets at FVTOCI	–	3,202	Level 3	Net asset value	N/A
Financial assets at FVTPL					
– Equity securities listed in Hong Kong	3,259	–	Level 1	Quoted bid prices in an active market	N/A
– Equity securities listed in United States	11,289	–	Level 1	Quoted bid prices in an active market	N/A
– Unlisted notes (note (a))	7,574	–	Level 3	Broker quotation	Discount for lack of marketability
– Contingent Consideration Receivable (note (b))	61	–	Level 3	Black-Scholes model	Present value of the expected profits
					Volatility
	22,183	–			

There were no transfers between Level 1, 2 and 3 in current and prior years.

Except as detailed in the above table, the directors of the Company consider that carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Notes:

- Should the discount for lack of marketability increases or decreases by 5%, the fair value of the unlisted notes would be decreased by approximately RMB379,000 or increased by approximately RMB379,000 as at 30 June 2023.
- Should the present value of the expected profits increases or decreases by 10%, the fair value of the Contingent Consideration Receivable would be decreased by approximately RMB36,000 or increased by approximately RMB67,000 as at 30 June 2023. Should the volatility increases or decreases by 5%, the fair value of the Contingent Consideration Receivable would be increased by approximately RMB20,000 or decreased by approximately RMB20,000 as at 30 June 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT *(continued)*

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders, to support the Group's stability and growth; to earn a margin commensurate with the level of business and market risks in the Group's operation and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity attributable to the owners of the Company, comprising cash and cash equivalents, share capital and reserves.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's overall strategy remains unchanged from the prior year.

37. CASH FLOW INFORMATION

(a) Major non-cash transactions

- (i) As mentioned in note 29, the Group obtained several bank borrowings for the purpose of prepaying to a supplier of Air-conditioners Distribution Business during the year ended 30 June 2023 in which the proceeds from the bank borrowings of RMB5,000,000 in aggregate were deposited into the supplier by the bank.
- (ii) During the year ended 30 June 2023, the Group had a non-cash addition to right-of-use assets and lease liabilities of approximately RMB4,899,000 (2022: RMB103,000) and RMB4,899,000 (2022: RMB103,000) respectively in respect of a lease arrangement for a warehouse located in the PRC (2022: an office premise located in the PRC) (notes 15 and 28).
- (iii) During the year ended 30 June 2022, a prepayment of RMB5,000,000 in relation to acquisition a land use right located in Shenzhen, the PRC which was transferred to leasehold land under right-of-use assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

37. CASH FLOW INFORMATION (continued)

(b) Changes in liabilities arising from financing activities

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

	Bank borrowings (note 29) RMB'000	Lease liabilities (note 28) RMB'000
At 1 July 2021	–	–
Changes from financing cash flows:		
Repayments of lease liabilities – principal	–	(15)
Repayments of lease liabilities – interest	–	(2)
Total changes from financing cash flows	–	(17)
Other changes:		
Addition of a new lease	–	103
Interest expenses	–	2
Total other changes	–	105
At 30 June 2022 and 1 July 2022	–	88
Changes from financing cash flows:		
Repayments of bank borrowings	(1,572)	–
Interest paid	(184)	–
Repayments of lease liabilities – principal	–	(8)
Repayments of lease liabilities – interest	–	(1)
Total changes from financing cash flows	(1,756)	(9)
Other changes:		
Bank borrowings (note 37(a))	5,000	–
Addition of a new lease	–	4,899
Termination of leases	–	(80)
Interest expenses (note 8)	184	12
Total other changes	5,184	4,831
At 30 June 2023	3,428	4,910

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Notes	2023 RMB'000	2022 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		8	1
Investments in subsidiaries		1	1
		<u>9</u>	<u>2</u>
Current assets			
Other receivables		19	17
Amounts due from subsidiaries		38,619	77,522
Cash and cash equivalents		578	29,102
		<u>39,216</u>	<u>106,641</u>
Current liabilities			
Other payables and accruals		1,461	2,378
Amounts due to subsidiaries		33,836	75,952
Amount due to a director		142	130
		<u>35,439</u>	<u>78,460</u>
Net current assets		<u>3,777</u>	<u>28,181</u>
Net assets		<u>3,786</u>	<u>28,183</u>
EQUITY			
Share capital	30	22,831	22,831
Reserves	38(b)	(19,045)	5,352
		<u>3,786</u>	<u>28,183</u>

The statement of financial position of the Company were approved and authorised for issue by the board of directors on 28 September 2023 and are signed on its behalf by:

Ng Ong Nee
Executive Director

James Francis Bittl
Non-Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Share premium (note 31(i)) RMB'000	Exchange reserve (note 31(v)) RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2021	3,782,111	(8,086)	(3,757,343)	16,682
Loss for the year	–	–	(21,548)	(21,548)
Other comprehensive income for the year				
– Exchange differences on translation from foreign currency to presentation currency	–	10,218	–	10,218
Total comprehensive income/(loss) for the year	–	10,218	(21,548)	(11,330)
At 30 June 2022 and 1 July 2022	3,782,111	2,132	(3,778,891)	5,352
Loss for the year	–	–	(32,395)	(32,395)
Other comprehensive income for the year				
– Exchange differences on translation from foreign currency to presentation currency	–	7,998	–	7,998
Total comprehensive income/(loss) for the year	–	7,998	(32,395)	(24,397)
At 30 June 2023	3,782,111	10,130	(3,811,286)	(19,045)

39. EVENT AFTER THE REPORTING PERIOD

Saved as disclosed elsewhere in these consolidated financial statements, the Group has below event after the reporting period:

The Company proposed to implement rights issue on the basis of one rights share for every two existing shares at a subscription price of HK\$0.035 per rights share. The proposed rights issue has not yet completed as at the date of this report.

Details of the rights issue were set out in the Company's announcements dated 11 September 2023 and 25 September 2023.

FIVE YEAR FINANCIAL SUMMARY

	For the year ended 30 June				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
RESULTS					
Revenue	110,029	143,572	195,618	451,756	52,822
(Loss)/profit before income tax	(58,924)	(19,026)	7,319	33,078	541,616
Income tax credit/(expense)	194	(1,670)	(3,327)	(8,306)	–
(Loss)/profit for the year	(58,730)	(20,696)	3,992	24,772	541,616

	As at 30 June				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES					
Non-current assets	94,039	118,364	72,886	76,995	82,494
Current assets	94,073	112,227	193,439	82,095	37,241
Total assets	188,112	230,591	266,325	159,090	119,735
Non-current liabilities	5,627	42	–	–	–
Current liabilities	34,523	29,029	51,797	29,358	14,339
Total equity	147,962	201,520	214,528	129,732	105,396

COMPANY INFORMATION

DIRECTORS

Executive Directors

Mr. NG Ong Nee (*Chairman and Chief Executive Officer*)
Mr. NG Hoi Yue (*Deputy Chief Executive Officer*)
(*resigned on 30 June 2023*)

Non-executive Directors

Mr. James Francis BITTL
Mr. HE Xiaohong (*retired on 30 December 2022*)

Independent Non-executive Directors

Mr. LIU Ruiqiang
Mr. LAI Zheng
Mr. WANG Tianshi
Ms. LIU Jie (*appointed on 11 July 2022*)

COMPANY SECRETARY

Mr. TSE Chi Hong (*appointment with effect from 3 July 2023*)
Miss NG Ling Ling (*resignation with effect from 30 April 2023*)

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