ASIAN CITRUS HOLDINGS LIMITED
亞洲果業控股有限公司*
(incorporated in Bermuda with limited liability)
(Stock Code: HKSE: 73)

ANNUAL REPORT 2017/18

* *For identification purposes only*

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FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

	For the year ended 30 June		
	2018 *(RMB Million)*	2017 *(RMB Million)*	% change
Reported financial information			
Revenue	**54.2**	–	100.0
Other income	**3.5**	1.6	118.8
EBITDA	**-210.0**	-26.8	683.6
Loss before tax	**-221.8**	-28.5	678.2
Loss attributable to shareholders	**-221.8**	-28.5	678.2
Basic loss per share (RMB)	**-0.177**	-0.023	669.6
FINANCIAL POSITION			
Total assets	**167.0**	27.6	
Net current liabilities	**-530.1**	-219.8	
Cash and cash equivalents	**54.7**	16.5	
Shareholders' fund	**-433.3**	-214.0	
Current ratio (x)	**0.12**	0.09	

CHAIRMAN'S STATEMENT

Dear Shareholders

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Asian Citrus Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I wish to report the latest development, progress and the annual results of the Group for the year ended 30 June 2018 to the shareholders of the Company.

BUSINESS REVIEW

The global economic growth had reached a growth rate of 3% in 2017 and remains steady in 2018 pursuant to the economic analysis of the United Nations. Supported by the growth in the People's Republic of China (the "**PRC**") with robust private consumption and accommodative macroeconomic policies, the Eastern and Southern parts of Asia have become the world's most dynamic and fastest-growing regions. However, the global economy in 2018 is fronted with risks and challenges, as there are changes to regional trade policy, rising geopolitical tensions and escalating trade protectionism measures from the United States which may slow down the pace of economy growth in the PRC.

The Company had, in the past year, pushed through hurdles arising from the Beihai Minority Disputes as disclosed in the "Management Discussion & Analysis" section under the sub-section headed "Other Significant Events". The Beihai Minority Disputes were disputes from a minority shareholder of a deconsolidated subsidiary in the PRC, leading to the deconsolidation of certain PRC subsidiaries and the delay in publication of financial results of the Group for the financial years of 2015/16 and 2016/17. Significant progress had been made from the financial year of 2017/18 onwards. First, the Group completed the acquisition of an agriculture company, Guangxi Hepu Guanhua Agriculture Co., Ltd.* (廣西合浦冠華農業有限公司) (the "**Agriculture Company**"), on 18 September 2017. Then, the Company resumed the legal and physical control of Lucky Team Biotech Development (Hepu) Limited* (利添生物科技發展(合浦)有限公司) ("**Lucky Team Hepu**") successfully on 28 September 2017. Lucky Team Hepu holds the Hepu Plantation of the Group in Guangxi, the PRC, which is the agricultural produce business segment of the Company. Later in July 2018, the Company has published the financial results and annual reports of the Group for the two financial years of 2015/16 and 2016/17 and the interim results and reports of the Group for the six months ended 31 December 2016 and 2017 as well.

The harvest season of the oranges in the Hepu Plantation was in the second half of the financial year from which revenue amounted to approximately RMB54.2 million was generated for the year ended 30 June 2018. On one hand, the Company continued to adopt stringent cost control on the cultivation and other administrative expenses and adopt new business model for the existing business segment. On the other hand, the Company would proceed appropriate corporate restructure and continues to explore new business cooperation opportunities for the Group. We strive to enhance the revenue and shareholders' value of the Company in the foreseeable future.

PROSPECTS

The demand on fruit in the PRC has increased significantly in the recent years, especially for high-quality fruit. The import volume of high-quality fruit is comparatively much higher than that of other fruit. Such significant increase in demand demonstrates the positive prospect of the trading of high-quality fruit in the PRC.

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CHAIRMAN'S STATEMENT

Moreover, the quality of fruit has been consistently improving during the past decade. At present, the fruit industry has become the third largest agricultural industry after the grain and vegetable industries in the PRC. Since the PRC is one of the top ten fruit producing countries in the world and also ranks the second top fruit import country in 2016 according to a research conducted by Rabobank, the PRC's agricultural industry has strong international competitiveness and has a bright future for its internal economic development. In the PRC, the top four provinces with area over 1,000,000 hectare of fruit plantation are Shaanxi, Guangxi, Guangdong and Hebei. Our Hepu Plantation is located in a prime fruit harvesting area, coupled with the improved living standards in the PRC as well as the increased awareness in wellness-living, we believe that the fruit trading business can be a profitable core business of the Company.

Strategically, the Group plans to diversify its agricultural products offering by planting other seasonal fruit including dragon fruit during the suitable season. Apart from diversification of product offering, it also serves to utilize more fully and maximize the annual output capacity of the Hepu Plantation. The Group sells a majority of its agricultural products by way of wholesale in the top-tier wholesale fruit markets in the PRC. It is also one of the Group's strategic direction to diversify the distribution channels and networks for its products as well as other products from different sources, such as imports from nearby Asian countries and purchases from other provinces in the PRC, by e-Commerce trading, allowing easy access and purchase from potential customers across different provinces in the PRC. We believe that these can serve to improve the financial performance of the Company in the foreseeable future.

APPRECIATION

The continuous support and trust from our valued shareholders, customers and business partners are so precious to us. On behalf of the Board, I would like to express our sincere gratitude to all such stakeholders. I would also like to express my thankfulness to our diligent management team and staff for their dedication and contribution to the Group during these years.

Ng Ong Nee
Chairman

28 September 2018

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

Asian Citrus Holdings Limited (the "**Company**", together with its subsidiaries (the "**Group**")) was principally engaged in the business of planting, cultivation and sale of agricultural produce during the financial year ended 30 June 2018.

Due to the Beihai Minority Disputes (as defined below) which arose in late September 2016, the Company had deconsolidated the accounts of the uncooperative subsidiaries in the People's Republic of China (the "**PRC**") from the Group's financial results. The core business, i.e. the plantation operation and the processed fruit operation of the Group, were operated by some of those deconsolidated subsidiaries, as a result, the deconsolidation had significant financial impact on the Group for the financial years of 2015/16 and 2016/17.

In September 2017, the Company had made encouraging progress. The acquisition of the agriculture company, Guangxi Hepu Guanhua Agriculture Co., Ltd.* (廣西合浦冠華農業有限公司) (the "**Agriculture Company**"), was completed on 18 September 2017 and the Company had successfully resumed the control over Lucky Team Biotech Development (Hepu) Limited* (利添生物科技發展(合浦)有限公司) ("**Lucky Team Hepu**") on 28 September 2017. The financial performance of Lucky Team Hepu which is mostly attributed by the Plantation Operation of the Group, was re-consolidated into the Group from 28 September 2017. In addition, after the persistent hard work and efforts made by the Directors and senior management of the Company, in July 2018, the Company had published the Group's annual results and annual reports for the financial years ended 30 June 2016 and 2017 and the interim results and interim reports for the six months ended 31 December 2016 and 2017 respectively.

FINANCIAL REVIEW

Revenue and Other Income

During the financial year ended 30 June 2018, the Group recorded a revenue of approximately RMB54.2 million (2017: Nil). The increase in the revenue was primarily due to the consolidation of the plantation operation during the financial year ended 30 June 2018, after the completion of acquisition of the Agriculture Company and the resumption of control of Lucky Team Hepu. During the financial year ended 30 June 2018, there was also other income in the amount of approximately RMB3.5 million (2017: RMB1.6 million) which consisted of management income and net income generated from other trading business.

Gain on bargain purchase

For the financial year ended 30 June 2018, a gain on bargain purchase of approximately RMB30.7 million (2017: Nil) was recognised and it was due to improvement in financial position of the Agriculture Company between the period from the execution date of the relevant purchase agreement and the completion date of the acquisition.

Loss arising on re-consolidation of a deconsolidated subsidiary

For the financial year ended 30 June 2018, there was a loss arising on re-consolidation of a deconsolidated subsidiary, Lucky Team Hepu, of approximately RMB231.7 million (2017: Nil) arising from the excess of liabilities, mainly the amount due to other deconsolidated subsidiaries, over assets of Lucky Team Hepu recognised on re-consolidation.

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Gain arising from changes in fair value of biological assets less costs to sell

For the financial year ended 30 June 2018, gain arising from changes in fair value of biological assets less costs to sell, which amounted to approximately RMB32.3 million (2017: Nil), was recognised and it represented the net increase of fair value of the oranges when the Group's oranges become mature and are harvested.

General and administrative expenses

For the financial year ended 30 June 2018, the general and administrative expenses of the Group was approximately RMB27.2 million (2017: RMB17.4 million) which was comprised primarily of office administration expenses and legal and professional fees. These costs increased by 56.3% from approximately RMB17.4 million to RMB27.2 million, mainly due to the new acquisition of the Agriculture Company and the resumption of Lucky Team Hepu in September 2017.

Distribution and other operating expenses

For the financial year ended 30 June 2018, the distribution and other operating expenses of the Group was approximately RMB5.2 million (2017: RMB1.2 million) which comprised direct harvest and processing-related expenses.

Loss from operation and loss attributable to shareholders for the year

For the financial year ended 30 June 2018, both loss from operation of the Group and loss attributable to shareholders of the Company were approximately RMB221.8 million (2017: RMB28.5 million). The substantial increase was due to the loss arising on the re-consolidation of Lucky Team Hepu.

DIVIDEND

The Board did not recommend the payment of a final dividend for the financial year ended 30 June 2018 (2017: Nil).

CAPITAL

As at 30 June 2018, the total number of issued shares of the Company was 1,249,637,884 (2017: 1,249,637,884).

LIQUIDITY, FINANCE RESOURCES AND FINANCIAL RATIOS (NOT INCLUDING THOSE DECONSOLIDATED PRC SUBSIDIARIES)

Liquidity

As at 30 June 2018, the current ratio and quick ratio were 0.12 and 0.10 respectively (2017: 0.09 and 0.08 respectively).

Gearing ratio and debt ratio

As at 30 June 2018, the Group did not incur any debt instruments nor any bank borrowings. The net cash position of the Group was approximately RMB54.7 million as at 30 June 2018 (2017: RMB16.5 million).

Funding and treasury policy

During the financial year ended 30 June 2018, the Group had sufficient funds for its operation and would continue to adopt stringent cost control and conservative treasury policies in the forthcoming financial year.

Internal cash resource

The Group's funding resource comprises internal cash and cash equivalents. The Group did not have any outstanding borrowings as at 30 June 2018.

Charge on assets

None of the Group's assets were pledged as at 30 June 2018.

Capital commitments

As at 30 June 2018, the Group had capital commitments of approximately RMB13.8 million (2017: Nil), mainly in relation to the acquisition of property, plant and equipment in the Hepu Plantation.

Foreign exchange risk

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

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

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 primarily performance-linked while business performance, market practices and competitive market conditions are also taken into consideration in calculating remuneration. Remuneration packages, which are reviewed annually, include salaries/wages and other employee benefits, such as discretionary bonuses, mandatory provident fund contributions and share options.

As at 30 June 2018, the total headcount of the Group not including the employees of the deconsolidated PRC subsidiaries, was 93 (2017: 34).

CONTINGENT LIABILITIES

Due to the Beihai Minority Disputes (details of which are disclosed in the paragraph under the section headed "Others Significant Events"), the management of certain PRC subsidiaries of the Group did not provide sufficient explanation, financial information, or any monthly updates which would have offered a balanced and comprehensible assessment of those PRC subsidiaries' performance and position to the Directors for their duties under Rule 3.08 and Chapter 13 of the Rules Governing the Listing of Securities (the "**Hong Kong Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HKEx**"). As a result, those PRC subsidiaries were deconsolidated in the consolidated financial statements of the Group during the year ended 30 June 2016. Details of the deconsolidation of those PRC subsidiaries were also disclosed in note 2 to the consolidated financial statements of the Group for the year ended 30 June 2018.

Therefore, based on the limited information provided to the Directors in this regard, it is impossible for the Directors to ascertain, as at the date of approval of this annual report, the contingent liabilities of those deconsolidated subsidiaries as at 30 June 2018 as they have been unable to gain access to the complete books and records and management personnel of the deconsolidated subsidiaries.

Save as disclosed in the above paragraphs and in the sections titled "Legal Cases of Deconsolidated Subsidiaries" and "Settlement of a contractual dispute in the PRC" under "Post Balance Sheet Event", to the best knowledge of the Directors according to the information available, the Company did not have any contingent liabilities as at 30 June 2018.

OTHER SIGNIFICANT EVENTS

(1) Expiry of the Terms of a Proposed Major Transaction

As disclosed in the annual reports of the Company for the financial years ended 30 June 2016 and 2017, on 25 August 2016, In-Season Limited, a wholly-owned subsidiary of the Company, had executed a conditional sales and purchase agreement ("**SPA**") with Greater Lead Limited, the vendor, to acquire the entire issued share capital of Eagleton Global Investments Limited, a limited company incorporated in the British Virgin Islands, which would indirectly hold 60% interest in a group (the "**Target Group**") after reorganization before completion. The Target Group owned two buildings of 8 storeys each, located at Nanshan Avenue, Nanshan District, Shenzhen, the PRC. The Company was a guarantor to the SPA and the total consideration of this transaction was HK$600 million, payable (i) by cash in the amount of HK$300 million and (ii) by procuring the Company to issue 600,000,000 consideration shares at the issue price of HK$0.50 per share to the vendor (or its designated nominee) on completion date. The transaction constituted a major transaction under the Hong Kong Listing Rules and would be subject to shareholders' approval in a special general meeting (the "**Major Transaction**").

On the same date, the Company entered into a placing agreement with a placing agent to procure, on a best effort basis, not less than six placees to subscribe, up to 610,000,000 shares of the Company at a price of HK$0.50 per share (the "**Placing**"). The entire net proceeds from the Placing would be applied as the cash consideration for the aforesaid acquisition under the SPA.

Due to the delay in publication of the annual results and annual report of the Company for the year ended 30 June 2016 and the relevant circular of the Major Transaction, the long stop dates of the SPA and the placing agreement had been extended on 23 December 2016 and 30 June 2017 to 30 June 2017 and 30 September 2017 respectively. However, the long stop dates of the SPA and the placing agreement had lapsed on 30 September 2017 eventually without further extension.

Details of the Major Transaction, the extension of long stop dates, the delay in dispatch of the relevant circular and the lapse of the SPA and the placing agreement were disclosed in the Company's announcements dated 25 August 2016, 14 October 2016, 23 December 2016, 30 June 2017 and 29 September 2017 respectively.

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(2) The Beihai Minority Disputes

As disclosed in the annual reports of the Company for the financial years ended 30 June 2016 and 2017, in late September 2016, during the course of auditing for the financial year ended 30 June 2016, the auditors of the Company reported that (i) Mr. Man Gui Fu* (滿桂富) ("**Mr. Man**"), who was a minority shareholder, director and general manager of Beihai Perfuming Garden Juice Co., Ltd.* (北海市果香園果汁有限公司) ("**Beihai Perfuming Garden**") and also held other positions in some of the other PRC subsidiaries, had alleged that there were inaccuracies in the books and records of certain PRC subsidiaries of the Group and (ii) a finance manager of certain PRC subsidiaries of the Group, Mr. Chen De Qiang* (陳德強) ("**Mr. DQ Chen**"), had sent written correspondence to the auditors of the Company which indicated that certain amounts or balances in the internal records of certain customers or suppliers did not correspond to the internal records of the Group. Subsequently, the management of those PRC subsidiaries of the Group refused to provide information requested by the Directors and senior management of the Company (the "**Beihai Minority Disputes**").

In view of these allegations, the auditors of the Company considered that there was a need to reinforce their audit procedures and implement wider and more extensive tests on audit sampling in order to obtain sufficient and appropriate audit evidence to allow it to form its audit opinion on the Group's consolidated financial statements for the years ended 30 June 2016 and 2017. The auditors also required performance of additional audit procedures, however, Mr. Man and the employees of certain PRC subsidiaries adopted an uncooperative manner and refused to respond to the requests from the auditors, the Directors and the senior management of the Company. The Directors and senior management of the Company could not access the financial, legal and administration records of the PRC subsidiaries, except Lucky Team Hepu subsequently. In order to protect and enforce all the legal rights of the Group, the Company had engaged a legal professional in the PRC to handle the related disputes and issues.

Those PRC subsidiaries were deconsolidated in the Group's consolidated financial statements for the year ended 30 June 2016 onwards, except Lucky Team Hepu which was re-consolidated in the Group's consolidated financial statements as from 28 September 2017.

Details of the Beihai Minority Disputes and its subsequent development were disclosed in the Company's announcements dated 29 September 2016, 8 November 2016, 22 December 2016, 15 March 2017, 30 June 2017, 29 September 2017, 31 October 2017, 30 November 2017, 28 December 2017, 31 January 2018, 28 February 2018, 26 March 2018, 30 April 2018, 31 May 2018 and 29 June 2018.

(3) Suspension of Trading on the HKEx

On 29 September 2016, at the request of the Company, trading in the shares of the Company on the Main Board of the HKEx was suspended with effect from 9:00 a.m. (Hong Kong time) on Thursday, 29 September 2016 pending the release of the Group's annual results for the year ended 30 June 2016.

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(4) Suspension of Trading and Cancellation from Trading on AIM

At the request of the Company, trading in the shares of the Company on Alternative Investment Market ("**AIM**") of the London Stock Exchange was also suspended, with effect from 13:15 p.m. (UK time) on Wednesday, 28 September 2016.

On 27 March 2017, the Company had announced that the shares of the Company would be cancelled from trading on AIM of the London Stock Exchange with effect from 29 March 2017.

(5) Completion of the acquisition of the Agriculture Company

On 3 January 2017, the Group entered into a sale and purchase agreement with the owner of the Agriculture Company, who was an independent third party, to acquire 100% equity interest in the Agriculture Company with a total cash consideration of RMB1,000,000 (the "**Acquisition**"). The Agriculture Company was principally engaged in the operation of cultivation management and sale of oranges under a cooperation agreement with Lucky Team Hepu for a term of 30 years (the "**Cooperation Agreement**") whereby the Agriculture Company would contribute fertilisers, pesticides and labour while Lucky Team Hepu would contribute the land, trees, machinery and the provision of technical support on cultivation and soil management. Under the Cooperation Agreement, the revenues generated from harvested oranges would be shared between Lucky Team Hepu and the Agriculture Company in the proportion of 10% and 90% respectively.

On 18 September 2017, the legal title of the equity interests of the Agriculture Company was changed to the Company's wholly-owned subsidiary and the change of the legal representative of the Agriculture Company to the Company's nominated representative has also taken effect and reflected on public records of the State Administration for Industry and Commerce (the "**SAIC**") at Beihai City and Hepu County of the PRC.

Details of the Acquisition were also disclosed in notes 2 and 27 to the consolidated financial statements of the Group for the year ended 30 June 2018.

(6) Resumption of the legal and physical control of Lucky Team Hepu

In August 2017, the legal representative of Lucky Team Hepu passed away and the Company initiated relevant applications to appoint a replacement legal representative and the directors of Lucky Team Hepu. The Company had successfully resumed legal control over Lucky Team Hepu on 28 September 2017 and took possession and physical control of the land and buildings occupied by Lucky Team Hepu and the assets, books and records thereat in October 2017. Thereafter, the Company discussed with various professionals including valuers and auditors in relation to potential valuation and audit work in respect of Lucky Team Hepu and/or its property, plant and equipment and orange trees.

On 28 December 2017, the Company announced the update on progress of work for Lucky Team Hepu. The Company had collated the documents found on-site at Lucky Team Hepu's office premises and appointed a PRC accountant to prepare the books and records and the financial statements of Lucky Team Hepu based on those available accounts and records for the period between January 2017 to September 2017.

Details of the aforesaid resumption of control were disclosed in the Company's announcements dated 15 March 2017, 27 March 2017, 29 September 2017, 31 October 2017, 30 November 2017 and 28 December 2017 respectively.

(7) Legal Cases of Deconsolidated Subsidiaries

1. *Shareholders dispute relating to Beihai Perfuming Garden*

In June 2017, the Company was made aware of service of proceedings from a PRC court whereby Mr. Man had commenced legal proceedings against a subsidiary of the Company alleging that Mr. Man had the right to require such subsidiary to transfer its 46.14% equity interest in Beihai Perfuming Garden to him pursuant to certain contractual arrangements alleged to have been executed by such subsidiary, Mr. Man and the original shareholders of Beihai Perfuming Garden in February 2010 ("**BPG Shareholders Dispute**").

On or about 30 January 2018, the Group received three writs of summon issued by Guangxi Zhuang Autonomous Region Beihai City Intermediate People's Court (廣西壯族自治區北海市中級人民法院) on 10 January 2018 against (1) the Company, (2) BPG Food & Beverage Holdings Ltd. (果香園食品控股有限公司) and (3) Wealth Elite Investments Limited (鑫卓投資有限公司) requiring each to attend a court hearing scheduled on 13 March 2018 in respect of the BPG Shareholders Dispute.

On 13 March 2018, the representatives of the Group had attended a court hearing at Guangxi Zhuang Autonomous Region Beihai City Intermediate People's Court (廣西壯族自治區北海市中級人民法院) whereby the parties' submissions regarding the verification of evidence were heard. It was noted that further court procedures would be followed pursuant to the PRC laws.

2. *Information rights proceedings relating to Tianyang Perfuming Garden*

On 20 November 2017, the Company received a PRC court order ("**TPG Order**") made in the Group's favor and against Tianyang Perfuming Garden Food Industrial Co., Ltd.* (田陽果香園食品工業有限公司) ("**Tianyang Perfuming Garden**"), against which the Group had instituted legal proceedings to enforce its information rights as shareholder. Pursuant to the TPG Order, amongst others, Tianyang Perfuming Garden should, within fifteen days of the order effective date which was the date when the 30 days' period to appeal had lapsed since the date of receipt of the Order by the last party ("**Order Effective Date**"), produce the following:

(i) for inspection and photocopying (for a period not more than 30 days) certain of its corporate records, including memorandum and articles of association and any amendments thereto, resolutions of the board of directors or any supervisory committee and financial reports; and

(ii) for inspection only (for a period not more than 30 days) certain of its accounting books and records, ledgers, contracts, invoices, bank confirmations as at 30 June 2015, 30 June 2016, 31 December 2016 and 30 June 2017 and latest company credit status report.

It was further noted that there was a request for appeal of the TPG Order from Tianyang Perfuming Garden made on 18 December 2017. On 24 January 2018, the Company was made aware of an appeal hearing scheduled on 5 February 2018 and the representative of the Company had attended the appeal hearing held on that date.

Finally, on 19 April 2018, the PRC legal advisers of the Company received a judgment in respect of the appeal delivered by Guangxi Zhuang Autonomous Region Higher People's Court (廣西壯族自治區高級人民法院) which stated that the court had (1) upheld the TPG Order, and (2) such judgement is final and conclusive.

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3. *Information right proceedings relating to Beihai Perfuming Garden*

On 26 June 2017, the PRC courts had formally accepted the Group's application to commence formal legal proceedings to enforce its information rights as shareholder of Beihai Perfuming Garden.

On 18 January 2018, the Group has received a court order ("**BPG Order**") made by Guangxi Zhuang Autonomous Region Beihai City Intermediate People's Court (廣西壯族自治區北海市中級人民法院) of the PRC made in favor of the Group and against Beihai Perfuming Garden. Pursuant to the BPG Order, Beihai Perfuming Garden shall, within thirty days of the effective date of the BPG Order, produce the following to the Group and its legal advisers:

(i) for inspection and photocopying (at the domicile of Beihai Perfuming Garden) its memorandum and articles of association and any amendments thereto, resolutions of the board of directors or any supervisory committee, financial reports for a period prescribed in the BPG Order;

(ii) for inspection only (at the domicile of Beihai Perfuming Garden) all of its accounting books and records (including general ledgers, detailed ledgers, daily ledgers and other supplemental ledgers) and accounting vouchers (including bookkeeping vouchers, related original vouchers and relevant information in respect of the source documents for entry bookkeeping) for a period prescribed in the BPG Order; and

(iii) for inspection only (at the domicile of Beihai Perfuming Garden) all of its original bank account transaction statements, bank confirmations as at 30 June 2015 and 30 June 2016, 31 December 2016 and 30 June 2017, the latest company credit status report, all documents related to the sales and merchandise transactions (including all types of contract, invoices, delivery acknowledgement receipts and receipts) for a period prescribed in the BPG Order.

Pursuant to the BPG Order, the PRC court rejected the Group's request for the production of certain accounting records of Hepu Perfuming Garden Food Co., Ltd.* (合浦果香園食品有限公司) and Beihai Super Fruit Co., Ltd.* (北海盛果商貿有限公司) (both are subsidiaries of Beihai Perfuming Garden) on the basis that the claimant being only a shareholder of Beihai Perfuming Garden and had no ground to request such subsidiaries of Beihai Perfuming Garden to produce to it the requested records.

However, in early February 2018, the Group lodged a request for appeal of the rulings of the BPG Order ("**BPG Information Right Appeal**") which was transferred to Guangxi Zhuang Autonomous Region Higher People's Court (廣西壯族自治區高級人民法院) for processing. On 27 April 2018, the Company was made aware of an appeal hearing scheduled to take place on 16 May 2018 and the representative of the Company had attended the appeal hearing held on that date. On 29 June 2018, the PRC legal advisers of the Company received a judgment in respect of the BPG Information Right Appeal delivered by Guangxi Zhuang Autonomous Region Higher People's Court (廣西壯族自治區高級人民法院) which stated that the court had (1) upheld the BPG Order, and (2) the judgement should be final and conclusive.

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4. *Contractual dispute relating to Tianyang Perfuming Garden*

In May 2017, the Group was informed that Tianyang Perfuming Garden was involved in a PRC court proceeding in which it was alleged to have defaulted in the payment of RMB3,717,017.28 for certain construction works and overdue interests of RMB340,674.95. Prior to May 2017, the Group was not made aware of any reports in respect of such court proceeding. The Company had since taken actions to request for the inspection of the accounting books and records of Tianyang Perfuming Garden in order to better understand its operations but has not received any response.

Subsequently, the Group was informed that Guangxi Zhuang Autonomous Region Tianyang County People's Court (廣西壯族自治區田陽縣人民法院) had issued a judgment ordering Tianyang Perfuming Garden to pay damages and interests to the claimant and had further issued a notice on 12 January 2018 in respect of execution of the order ("**First TPG Judgement**"). The Company's PRC legal advisers advised the Group that upon issue of such notice, the court would initiate the process of seizure of the funds and assets of Tianyang Perfuming Garden and proceed with any other necessary recovery actions.

In late February 2018, it was noted that Tianyang Perfuming Garden had been served with a service of proceeding from Guangxi Zhuang Autonomous Region Tianyang County People's Court (廣西壯族自治區田陽縣人民法院) whereby the same claimant under the First TPG Judgment has commenced a legal proceeding against Tianyang Perfuming Garden alleging that it had defaulted in the payment of RMB836,590.46 together with interests for the same construction work. A hearing required the attendance of Tianyang Perfuming Garden was scheduled in late March 2018.

In May 2018, the Group was informed that Guangxi Zhuang Autonomous Region Tianyang County People's Court (廣西壯族自治區田陽縣人民法院) had issued an order ordering Tianyang Perfuming Garden to make a payment in the amount of RMB669,272.37, together with interests, to the aforesaid claimant ("**Second TPG Judgement**"). The Second TPG Judgement was subject to the requests for appeal by either party within the prescribed time limit under the PRC laws.

In June 2018, the senior management of Tianyang Perfuming Garden reported that the relevant PRC court had issued judgments ordering the freezing of a bank account held by Tianyang Perfuming Garden in respect of the First TPG Judgment, and the inclusion of Tianyang Perfuming Garden in the "List of Dishonest Persons subject to Enforcement" of the Supreme People's Court.

5. *Repayment of loan and interest in arrears relating to Tianyang Perfuming Garden*

In May 2017, the Company was made aware of a PRC court order requiring Tianyang Perfuming Garden to repay a loan of RMB17 million together with interest in arrears. Pursuant to the court documents received, the Group understood the allegation to be that Tianyang Perfuming Garden had entered into a loan facility agreement with a person called Xue Zhen* (薛珍) on 1 June 2016 in respect of a loan in the amount of RMB17 million with interest rate of 6% per annum. It was alleged that such loan together with interests thereof were due for repayment. It was further alleged that Tianyang Perfuming Garden had also pledged two pieces of land to Xue Zhen as security for the loan but such pledge had not been registered with the relevant PRC authorities. The Company had since becoming aware of the legal proceedings made enquiries with Tianyang Perfuming Garden in connection with information related to such loan, but Tianyang Perfuming Garden (which to the Company's knowledge its senior management included Mr. Huang Xin, Mr. Pang Yi, Mr. Man and Mr. Wang Jia Yi) had yet to respond or cooperate. The Company had instructed its PRC legal advisers to attend the office of Tianyang Perfuming Garden to exercise its shareholders' right and made enquiries. The management at Tianyang Perfuming Garden refused to cooperate.

The Company was not aware of the existence of the above contractual documents or arrangements prior to receiving the above legal proceedings and would take legal advice in response to such claims, including but not limited to checking the authenticity of the contracts received. The Company reiterated that it would defend the aforesaid legal proceedings vigorously and would endeavour to claim against any and all losses the Group might suffer as a result.

Details of the legal proceedings and their updates were disclosed in the Company's announcements dated 29 September 2016, 30 June 2017, 29 September 2017, 31 October 2017, 30 November 2017, 28 December 2017, 31 January 2018, 28 February 2018, 26 March 2018, 30 April 2018, 31 May 2018, 29 June 2018 and 1 August 2018 respectively.

POST BALANCE SHEET EVENT

Settlement of a contractual dispute in the PRC

On 15 July 2018, the Company was informed by its subsidiary, Lucky Team Hepu, that on 9 July 2018 it had received a civil verdict document issued by Guangxi Zhuang Autonomous Region Hepu County People's Court of the PRC (中國廣西壯族自治區合浦縣人民法院) dated 3 July 2018 and a summon relating to a dispute of outstanding payment in 2015 relating to certain pesticides purchases (the "**Contractual Dispute**") dated 20 June 2018 informing a court hearing held on 15 August 2018 with indictment.

It was noted that the plaintiff of the Contractual Dispute was a company in Guangzhou, namely: 廣州市標群農資有限公司 ("**GZ Company**"), mainly engaged in pesticide trading business while Lucky Team Hepu was the defendant and had purchased pesticide from GZ Company. The Contractual Dispute was arose in 2015. GZ Company claimed against Lucky Team Hepu for the outstanding payment, penalty and the related damages and it applied to the court to freeze the funding of Lucky Team Hepu maintained with China Construction Bank, Hepu Branch and Industrial and Commercial Bank of China, Hepu Branch in the total amount of RMB1,312,750.

* *For identification purposes only*

On 15 August 2018, all parties with their representing lawyers had attended the court hearing. Although there were sale and purchase contract and invoices from GZ Company, the outstanding payment was arguable due to the absent of delivery notes and logistic supporting documents of the products sold to Lucky Team Hepu.

After further negotiation, both parties agreed to fully settle the Contractual Dispute through mediation on 6 September 2018. Lucky Team Hepu agreed and had paid to GZ Company a total sum of RMB1,056,057.50 on 10 September 2018 as full and final settlement in respect of the Contractual Dispute and the civil litigation was ceased and withdrawn with effect from the same date.

DECONSOLIDATION OF CERTAIN PRC SUBSIDIARIES

Since the uncooperative management of certain PRC subsidiaries refused to provide requested information to the Directors and the auditors of the Company in connection with the preparation of the consolidated financial statements of the Group for the financial years 2015/16, 2016/17 and 2017/18, the Board tried to resolve the problems and had taken the following actions accordingly:

(i) Deconsolidated those PRC subsidiaries whose management refused to cooperate and response to the Directors and the auditors of the Company commencing from the financial year 2015/16 onwards;

(ii) Engaged PRC legal professional to enforce the shareholders' right and information rights over those deconsolidated PRC subsidiaries;

(iii) Revised and strengthened the internal control and risk management system and engaged an independent professional to review those systems of the Group annually;

(iv) Engaged PRC legal professional and changed the memorandum of the PRC subsidiaries to increase the control exercisable by the Company;

(v) Enhanced reporting procedures among all the subsidiaries of the Group, including strengthened treasury and control procedures; and

(vi) Considered to proceed necessary restructure of the Group in order to reduce the loss of the Group.

CONDITIONS FOR RESUMPTION OF TRADING OF SHARES OF THE COMPANY

At the request of the Company, trading in the shares of the Company on the HKEx was suspended with effect from 9:00 a.m. (Hong Kong time) on Thursday, 29 September 2016. Trading in the shares of the Company on the HKEx will remain suspended pending the fulfilment of the remaining resumption conditions as stated in the resumption condition announcements dated 27 January 2017 and 6 September 2018, including but not limited to the resumption condition that and that the Company is required to demonstrate its compliance with Rule 13.24 of the Hong Kong Listing Rules and the Company will address the disclaimer opinion as included in the Company's annual reports for each of the two years ended 30 June 2016 and 2017.

As at the date of this annual report, all outstanding financial results (i.e. for the 12 months ended 30 June 2016, the 6 months ended 31 December 2016, the 12 months ended 30 June 2017 and the 6 months ended 31 December 2017) as required under the Hong Kong Listing Rules have been published by the Company.

MANAGEMENT DISCUSSION & ANALYSIS

TRANSITIONAL ARRANGEMENTS FOR THE AMENDMENTS TO THE DELISTING FRAMEWORKS

It was noted that the amendments to the delisting framework under the Hong Kong Listing Rules (the "**Amended Hong Kong Delisting Rules**") came into effect on 1 August 2018 (the "**Effective Date**"). Under the Amended Hong Kong Delisting Rules, as the Company's shares (the "**Shares**") had been suspended from trading for more than 12 months as at the Effective Date, the HKEx may, under Rule 6.01A(2)(b)(ii) of the Amended Delisting Rules, cancel the Company's listing if trading in the Shares remain suspended for 12 continuous months from the Effective Date. The 12-month period will expire on 31 July 2019. If the Company fails to fulfil all the resumption conditions to the HKEx's satisfaction and resume trading in the Shares by 31 July 2019, the HKEx may proceed with the cancellation procedures of the Company's listing. This is subject to the HKEx's right to impose a shorter specific remedial period under Rule 6.10 of the Amended Hong Kong Delisting Rules where appropriate.

The Company will make the best endeavour to obtain resumption of trading in the Shares on the HKEx as soon as possible. Details of the amendments were disclosed in the Company's announcement dated 27 July 2018.

Further to the information disclosed in this report, the Board wishes to provide to shareholders and potential investors of the Company the following updates and supplementary information as set out on pages 16 to 22. Reference is made to the announcements of the Company dated 30 June 2017, 30 November 2017, 28 December 2017, 31 January 2018, 28 February 2018, 26 March 2018, 30 April 2018, 31 May 2018, 29 June 2018 and 1 August 2018, in relation to, among others, the suspension of trading in the shares of the Company on the HKEx (collectively, the "**Announcements**").

DISCLAIMER OF OPINION FROM THE AUDITORS OF THE COMPANY

As disclosed in the announcement of the Company dated 12 July 2018 in respect of the annual results of the Group for the years ended 30 June 2016 and 2017 and this report, the auditors of the Company, HLB Hodgson Impey Cheng Limited, had issued a disclaimer of opinion on the consolidated financial statements of the Group for the years ended 30 June 2018, 30 June 2017 and 30 June 2016. Nonetheless, the Company has proposed plans to the auditors of the Company and is taking actions to address the audit qualification for the year ending 30 June 2019 with the aim to removing all audit qualifications over the next two years.

Set forth below are details of the plans proposed with the current status and the expected timeline for each plan:

Regarding the disclaimer opinion on (a) compliance with relevant accounting standards and applicable laws and regulations; (b) authenticity, completeness, and accuracy of accounting records; (c) disclosure of comparable figures; (d) current accounts with the Deconsolidated Subsidiaries; and (e) completeness of events after the reporting period, commitments, contingent liabilities, related party transactions and unrecorded liabilities relevant to the following events: (i) deconsolidation of the Deconsolidated Subsidiaries including Beihai Perfuming Garden and its subsidiaries, Tianyang Perfuming Garden, Lucky Team (Hepu) Agriculture Development Limited (利添良繁(合浦)農業發展有限公司), Litian Biological Science & Technology Development (Xinfeng) Company Limited* (利添生物科技發展(信豐)有限公司) and Lucky Team Biotech Development Yongzhou Limited* (永州利添生物科技發展有限公司) (collectively the "**Current Deconsolidated Subsidiaries**"); and (ii) resumption of control of Lucky Team Hepu.*

* *For identification purposes only*

Proposed plan		Current status	Indicative expected timeline
(a)	To dispose the Current Deconsolidated Subsidiaries to third party purchaser(s).	Ongoing. The Company has been seeking potential purchaser(s).	To complete the disposal(s) as soon as possible within the financial year ending 30 June 2019.
(b)	To consider and explore restructuring Lucky Team Hepu.	Ongoing.	To complete as soon as possible within the financial year ending 30 June 2019.

Regarding the disclaimer of opinion on going concern

Proposed Plan		Current status	Indicative expected timeline
(a)	To complete the disposal(s) as referred to in section headed "Disclaimer of Opinion from the Auditors of the Company" above in this section. The Group is expected to have net assets upon the disposal(s) and generate sufficient cash flow to meet the future working capital needs for the twelve months following 30 June 2019.	Ongoing.	Within the financial year ending 30 June 2019.
(b)	To maintain the levels of revenue and profit generated from the existing operations of planting, cultivation and sales of agricultural products and to explore opportunity(ies) to expand the businesses of other operating subsidiaries of the Group such as the fruit trading business.	Ongoing.	Within the financial year ending 30 June 2019.

The Company has discussed the aforesaid plan with the auditors of the Company, and the auditors of the Company are in agreement with the plan proposed by the Company to address the audit qualification. The Company is currently of the view that no alternative plan is required since the proposed plan depicted in section headed "Disclaimer of Opinion from the Auditors of the Company" above in this section can fulfil the requirements with regard to the removal of disclaimer of opinion.

The Company will publish announcements to update its shareholders of the result of each relevant proposed action plan as and when appropriate in compliance with the requirements under the Hong Kong Listing Rules.

THE DECONSOLIDATED SUBSIDIARIES

Lucky Team Hepu

As disclosed in the Announcements, the directors of the Company considered that the Group has resumed control over Lucky Team Hepu as from 28 September 2017. Lucky Team Hepu has no subsidiary. Set forth below is the list of subsidiaries which the Company has no control over as at the date of this report, and their respective contribution to the Group's revenue, profit, and assets in the year ended 30 June 2015.

	Revenue *RMB'000*	**Net profit/(loss)** *RMB'000*	**Total assets** *RMB'000*
Litian Biological Sciences & Technology Development (Xinfeng) Company Limited* 利添生物科技發展(信豐)有限公司	324,834	(304,408)	1,071,008
Lucky Team (Hepu) Agriculture Development Limited* 利添良繁(合浦)農業發展有限公司	1,202	(5,016)	14,908
Lucky Team Biotech Development Yongzhou Limited* 永州利添生物科技發展有限公司	–	(7,344)	1,095,697
Hepu Perfuming Garden Food Co., Ltd.* 合浦果香園食品有限公司	392,297	(21,217)	1,219,817
Beihai Perfuming Garden Juice Co., Ltd.* 北海市果香園果汁有限公司	110,629	(4,234)	626,173
Tianyang Perfuming Garden Food Industrial Co., Ltd.* 田陽果香園食品工業有限公司	50,285	(22,105)	368,502
Beihai Super Fruit Co., Ltd.* 北海盛果商貿有限公司	6,842	(111)	27,364
Lucky Team Industrial (Ganzhou) Company Limited* 利添實業(贛州)有限公司	–	(4,751)	64,675
Elimination of amount on related party transactions	(7,462)	2,510	(596,318)
	878,627	(366,676)	3,891,826
Impairment on goodwill	–	(303,883)	–
Total of the above deconsolidated subsidiaries	878,627	(670,559)	3,891,826
Total of the Group	962,727	(1,223,999)	5,274,657

* *For identification purposes only*

Efforts made by the Company on consolidating the financial results of Lucky Team Hepu as from the Resumed Date

In respect of the stock take of the total assets and collation of the books and records of Lucky Team Hepu, details of work performed since the Resumed Date are set forth below:

(a) The new management of Lucky Team Hepu had held a meeting with all staff to introduce the newly appointed legal representative and directors of Lucky Team Hepu, and thereafter conducted interviews with each individual staff to gain a better understanding of the existing business operations of Lucky Team Hepu and the current job arrangement for each such individual.

(b) Lucky Team Hepu made a collation of documents found onsite at the Hepu office premises.

(c) Lucky Team Hepu performed orange trees physical inspection at the Hepu Plantation.

(d) Lucky Team Hepu had performed a count of the physical property, plant and equipment onsite, covering buildings, farmland infrastructure and machinery, furniture and fixtures, equipment and motor vehicles onsite at the Hepu office premises and the Hepu Plantation and made a record of the quantities of assets existed thereat.

(e) Lucky Team Hepu performed a count of physical inventory, covering fertilisers, pesticides, fuel, metal hardware and others components at the Hepu Plantation.

(f) The Company engaged a PRC accountant in Shenzhen to discuss the preparation of accounting books and records, financial statements and tax submission in relation to Lucky Team Hepu.

(g) Preliminary discussion was made with a firm of professional valuer in Hong Kong in relation to the valuation of property, plant and equipment, orange trees and agricultural products for the purpose of the accounts of Lucky Team Hepu.

(h) Following the PRC accountant's suggestion on the preparation of accounting books, the Group prepared vouchers, accounting books and records of Lucky Team Hepu based on the accounts and records for the period between January to September 2017 currently available to the Company.

(i) The Company arranged for the valuation of property, plant and equipment, orange trees and agricultural products of Lucky Team Hepu.

(j) The Company arranged for the field audit work on the accounting books and records of Lucky Team Hepu had completed.

Reasons for the disclaimer of opinion on resuming the control of Lucky Team Hepu

Despite the abovementioned effort to reconstruct the books and records of Lucky Team Hepu, some of the accounting records for the period from 1 July 2015 up until the date immediately prior to the Resumed Date were still found to be missing. As a result, the Company was unable to ascertain (1) the validity, accuracy, and completeness of the account balances of the assets and liabilities including the property, plant and equipment and amounts due to the Current Deconsolidated Subsidiaries as at the Resumed Date of Lucky Team Hepu; (2) the completeness of all the transactions of Lucky Team Hepu occurred during the period from 1 July 2015 up until the date immediately prior to the Resumed Date; and (3) effects of all the transactions on the assets and liabilities of Lucky Team Hepu during the period from 1 July 2015 up until the date immediately prior to the Resumed Date.

Efforts made by the Company in respect of the Current Deconsolidated Subsidiaries

In respect of the books and records of the Current Deconsolidated Subsidiaries, details of the major steps taken by the Company are set forth below:

(a) The Company has conducted site visits with PRC lawyers to the offices of the Current Deconsolidated Subsidiaries and Lucky Team Hepu and issued letters (through its PRC lawyers) to the Current Deconsolidated Subsidiaries and Lucky Team Hepu requesting for information but has not yet received any of the requested information.

(b) The Company has considered initiating formal legal procedures to change the relevant senior management members of the Current Deconsolidated Subsidiaries and Lucky Team Hepu. However, the Company was advised by its PRC lawyers that the process would take 12 months or more and may not be the most efficient way to address the current difficulties.

(c) The Company has instituted legal proceedings to enforce information rights of shareholder against Beihai Perfuming Garden and Tianyang Perfuming Garden, the outcome of which were disclosed in the Announcements.

The Company is informed by its PRC lawyers that Beihai Perfuming Garden and Tianyang Perfuming Garden has received the BPG Order on 29 June 2018 and the TPG Order on 19 April 2018 respectively. Pursuant to the BPG Order and the TPG Order, Beihai Perfuming Garden and Tianyang Perfuming Garden shall produce the documents stated in the BPG Order and the TPG Order by 29 July 2018 and 19 May 2018 respectively. However, as at the date of this report, neither Beihai Perfuming Garden nor Tianyang Perfuming Garden has produced any documents. As advised by its PRC lawyers, as Beihai Perfuming Garden and Tianyang Perfuming Garden do not comply with the relevant court order, the Group can apply to the relevant court to enforce the BPG Order and TPG Order by 28 July 2020 and 18 May 2020 respectively. The relevant court will usually register the applications within 7 days, then issue the necessary enforcement notices.

As the Company is progressing with the plan of disposal as depicted in section headed "Disclaimer of Opinion from the Auditors of the Company" of this section, the Company will evaluate from time to time when is the optimal time to apply to the court for the enforcement notices depending on the progress of the planned disposal.

On the other hand, the Company keeps monitoring the latest development of the Current Deconsolidated Subsidiaries. Based on the public search results on the Administration for Industry and Commerce portal, Beihai Super Fruit Co., Ltd.* (北海盛果商貿有限公司) was wound up and Mr. Man and Ms. Pang Xia* (龐霞女士) are the members of the liquidation team and the current status shows that Beihai Super Fruit Co., Ltd.* (北海盛果商貿有限公司) is deregistered.

* *For identification purposes only*

COMPLETION OF THE ACQUISITION OF THE AGRICULTURE COMPANY

The Company acquired the Agriculture Company by a sale and purchase agreement (the "**Sale and Purchase Agreement**") executed with the vendor on 3 January 2017 and had received all the statutory and financial documents of the Agriculture Company immediately after execution of the Sale and Purchase Agreement. Then, the Company engaged professional experts in the PRC to proceed the change of the directors and ownership of the Agriculture Company with the relevant PRC government authorities accordingly. The vendor had further executed: (i) a trust agreement in favour of the Company which confirmed holding of the shares in the capital of the Agriculture Company on trust for the Company until the completion of the related share transfer and (ii) a power of attorney which empowered the authorized representative of the Group to have the rights of production, finance, administration and strategy formulation of the Agriculture Company with effect from 3 January 2017 (the "**Transition Arrangement**"). The Company had obtained a PRC legal opinion in favour of the Company on the legal rights and enforcement of the Transition Arrangement. Until 18 September 2017, the legal title of the equity interests of the Agriculture Company was officially changed to the Company's wholly-owned subsidiary and the change of the legal representative of the Agriculture Company to the Company's nominated representative was finally reflected on public records of the SAIC at Beihai City and Hepu County of the PRC.

It was noted that during the period from 3 January 2017 to 18 September 2017 (the "**Transition Period**"), the Agriculture Company continued its business operation under the control and supervision of the Group and generated an unaudited net profit of approximately RMB29.0 million which was included in the calculation of gain on bargain purchase of approximately RMB30.7 million recognised in the Group's consolidated statement of profit or loss for the year ended 30 June 2018.

Despite the Company recognised the date of changes of the legal title of the equity interests and the legal representative of the Agricultural Company reflected on the public records of the SAIC (i.e. 18 September 2017) as the completion date of the acquisition and the commencement date of consolidation of the business results of the Agriculture Company, the revenue or profit generated by the Agricultural Company during the Transition Period as reflected in the financial status of the Agriculture Company as at 18 September 2017 attributed to the Group pursuant to the Sale and Purchase Agreement and the Transition Arrangement which was in compliance with the relevant laws in the PRC.

UPDATE ON LEGAL PROCEDURES IN RESPECT OF THE RELEVANT PRC SUBSIDIARIES

Contractual dispute relating to Tianyang Perfuming Garden

The deadline for appeal for the Second TPG Judgment is the date when the 15 days' period (the "**Appeal Period**") to appeal has lapsed since the date of receipt of the order by the last party. If neither parties have lodged an appeal to the judgment within the Appeal Period, the judgment will be effective from the last day of the Appeal Period.

As at the date of this report, neither the Company nor its PRC legal advisers has heard from the senior management of Tianyang Perfuming Garden or received a notice of request of appeal from Tianyang Perfuming Garden or its counterparty in the Second TPG Judgment. Furthermore, given that the Company and its PRC legal advisers have no knowledge as to when the Second TPG Judgment was received by the counterparty, it is uncertain to the Company and its PRC legal advisers as to whether the aforesaid Appeal Period has lapsed, and whether the Second TPG Judgment has taken effect.

The Company will continue to monitor the progress of this legal procedure as reported to it by and by enquiring the senior management of Tianyang Perfuming Garden, and make announcement(s) to update its shareholders and investors of any material development as and when appropriate.

THE ALLEGATIONS

As stated in the Company's announcement dated 29 September 2016, the auditors of the Company had received the Allegations. The Company has taken a series of actions with the attempt to clarify the Allegations.

However, Mr. Man and the Deconsolidated Subsidiaries have been uncooperative against the actions taken by the Company. In this regard, the Company has engaged an independent professional third party firm to conduct an independent investigation on the Allegations.

The Board is of the view that (i) given the Allegations relate to the Current Deconsolidated Subsidiaries and Lucky Team Hepu and as the Current Deconsolidated Subsidiaries have been deconsolidated from the Group and the management of Lucky Team Hepu has changed since the Resumed Date, the Allegations would not affect the current financial position of the Group. Furthermore, in view of the Company's proposal to carry out the plan of disposal as disclosed in this report, the Board considers that the Allegations will no longer be relevant to the Group once the disposals are completed.

GOING CONCERN BASIS OF ACCOUNTING

As disclosed in the aforesaid paragraphs, due to the Beihai Minority Disputes arose in September 2016 and the then deconsolidation of those uncooperative PRC subsidiaries from the financial year ended 30 June 2016, the financial performance of the remaining group was adversely affected.

It was noted that the Group's total liabilities exceeded its total assets substantially in the financial years of 2015/16, 2016/17 and 2017/18. However, those liabilities were mainly due to the deconsolidated subsidiaries of the Group. The Directors and senior management of the Company are striving for best solutions and are actively considering various possible ways to restructure the Group. As at 30 June 2018, the Group did not incur any debt instrument nor any bank borrowings. Instead, the Group would have sufficient funding for operation in the coming twelve months. After resuming control of Lucky Team Hepu in late September 2017, the Company is implementing new marketing strategy on the current business segment, together with possible restructure of the Group and stringent cost control, the Directors believed that the Group should be able to turn around the situation in the foreseeable future and shall continue its operation and business development as well.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

EXECUTIVE DIRECTORS

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

Mr. Ng Ong Nee, aged 65, joined the board (the "**Board**") of directors (the "**Directors**") of Asian Citrus Holdings Limited (the "**Company**") on 3 March 2014 as an Executive Director and was appointed as the Chairman of the Board on 4 August 2015. He is also a director of several subsidiaries of the Company. He is responsible for the overall strategic planning and direction of the Group. He 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 between 2007 and 2012. He was also a president of the Shenzhen-Hong Kong Business Association between 2006 and 2009.

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

Mr. Ng Hoi Yue, aged 54, joined the Board on 15 March 2013 as an Independent Non-executive Director and was re-designated as an Executive Director on 4 August 2015. He is also a director of several subsidiaries of the Company. He is a fellow member of The Institute of Chartered Accountants in England and Wales, the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in England. He has been practising as a certified public accountant in Hong Kong since 1989. He is currently an independent non-executive director of Emperor Culture Group Limited (stock code: 491), Imperial Pacific International Holdings Limited (stock code: 1076) and Ulferts International Limited (stock code: 1711), the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEx**").

NON-EXECUTIVE DIRECTOR

Mr. He Xiaohong, aged 43, joined the Board on 10 February 2017 as a Non-executive Director. He is the general manager of Shenzhen Yin Tong Lian Assets Appraisal Company Limited. He obtained the degree of Bachelor of Business Administration from Central South University in the People's Republic of China (the "**PRC**") in 2013. He is also an economist accredited by Ministry of Human Resources and Social Security of the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHUNG Koon Yan, *Chairman of the Audit Committee and the Remuneration Committee*

Mr. Chung Koon Yan, aged 54, joined the Board on 12 November 2013. He obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University. He is a practising member of the Hong Kong Institute of Certified Public Accountants, a fellow member of both The Association of Chartered Certified Accountants and The Institute of Chartered Accountants in England and Wales. He is a director of Chiu, Choy & Chung C.P.A. Limited and has more than 20 years of experience in accounting, auditing and taxation. Currently, he is an independent non-executive director of Synergy Group Holdings International Limited (Stock code: 1539), the shares of which are listed on the Main Board of the HKEx, Great World Company Holdings Limited (stock code: 8003) and Winson Holdings Hong Kong Limited (stock code: 8421), the shares of which are listed on the Growth Enterprise Market of the HKEx. He has the professional qualifications and accounting expertise as required under Rule 3.10(2) of the Rules Governing the Listing of Securities on the HKEx.

DIRECTORS AND SENIOR MANAGEMENT PROFILE

Dr. LUI Ming Wah, *PhD, SBS, JP, a member of the Audit Committee and the Remuneration Committee*

Dr. Lui Ming Wah, PhD, SBS, JP, aged 80, joined the Board on 2 June 2004. He is an industrialist served as the chairman, the president and the vice president of the Hong Kong Electronic Industries Association, Hong Kong Shandong Chamber of Commerce and The Chinese Manufacturers Association of Hong Kong, respectively. He was a member of the Chinese People's Political Consultative Conference. He was elected as a member of the Legislative Council of Hong Kong in May 1998 for a term of two years. In the 2000 and 2004 Legislative Council elections, he was re-elected for a term of four years each. He is an adviser professor of Shandong University. He obtained his master of applied science and doctor of philosophy degrees from the University of New South Wales in Australia and the University of Saskatchewan in Canada, respectively. He was also a member of the Hong Kong Economic Development Commission Chaired by the Chief Executive of Hong Kong. He is currently the managing director of Keystone Electronics Co. Limited and an independent non-executive director of a number of other companies, the shares of which are listed on the Main Board/Growth Enterprise Market of the HKEx, including AV Concept Holdings Limited (stock code: 595), Gold Peak Industries (Holdings) Limited (stock code: 40), S.A.S. Dragon Holdings Limited (stock code: 1184), and L.K. Technology Holdings Limited (stock code: 558).

Mr. YANG Zhen Han, *a member of the Audit Committee*

Mr. Yang Zhen Han, aged 86, joined the Board on 2 June 2004. He obtained a bachelor's degree in chemical engineering from Shanghai Jiao-Tong University in 1953. He is a machine-building specialist with over 30 years of experience. He was a director of the Foreign Economic Relations and Trade Commission of Shanghai Municipality, responsible for the international trade and foreign investment affairs of Shanghai from 1983 to 1985. In addition, He was a member of Guangzhou Chinese People's Political Consultative Conference from 2002 to 2007.

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

Miss Ng Ling Ling, aged 46, joined the Company in December 2013 as the financial controller of the fruit processing business of the Company and was appointed as the Company Secretary and the Chief Financial Officer on 3 August 2015 and 12 November 2015, respectively. She is responsible for overseeing accounting and finance functions of the Group. She obtained a master's degree in Professional Accounting from the Hong Kong Polytechnic University. She is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. She has many years of experience in accounting, financial reporting and company secretarial matters in companies listed on HKEx.

DIRECTORS' REPORT

The board (the "**Board**") of directors (the "**Directors**") of Asian Citrus Holdings Limited (the "**Company**") is pleased to present their report on the affairs of the Company, together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the year ended 30 June 2018 (the "**Consolidated Financial Statements**") and the independent auditors' report thereon.

PRINCIPAL ACTIVITIES

The Company is an exempted company incorporated under the laws of Bermuda with limited liability on 4 June 2003. The principal activities of the Group are planting, cultivation and sale of agricultural produce, manufacture and sale of fruit juice concentrates, fruit purees and frozen fruit and vegetables which were carried on by certain subsidiaries in the People's Republic of China ("**PRC**"). Those PRC subsidiaries were deconsolidated in the consolidated financial statements for the year ended 30 June 2016.

BUSINESS REVIEW

A review of the Group's performance, business activities and development is included in the Chairman's Statement and the Management Discussion and Analysis on pages 3 to 22 of this annual report.

RESULTS

The loss attributable to shareholders for the year is set out in the Consolidated Statement of Profit or Loss on page 73.

DIVIDENDS

The Directors do not recommend the payment of a final dividend for the year ended 30 June 2018 (2017: 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 135.

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 page 77 and Note 22(a) to the Consolidated Financial Statements respectively. As at 30 June 2018, no reserves of the Company were available for distribution (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in Note 16 to the Consolidated Financial Statements.

PRE-EMPTIVE RIGHTS

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

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

The Company did not redeem any of its listed securities, nor did the Company or any of its subsidiaries purchase or sell any of such listed securities during the year ended 30 June 2018.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 22(b) to the Consolidated Financial Statements.

DIRECTORS

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

Directors

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

Non-executive Director
Mr. He Xiaohong

*Independent Non-executive Directors ("**INEDs**")*
Mr. Chung Koon Yan
Dr. Lui Ming Wah, PhD, SBS, JP
Mr. Yang Zhen Han

Rotation

In accordance with bye-laws 88(1) and 88(2) of the Company's Bye-laws (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, Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han will retire from office at the forthcoming annual general meeting (the "**forthcoming AGM**"), Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han, being eligible, have offered themselves for re-election.

Dr. Lui Ming Wah PhD, SBS, JP and Mr. Yang Zhen Han have served as INEDs for more than 9 years. Pursuant to code provision A.4.3 of the Corporate Governance Code set out in Appendix 14 of the Rules Governing the Listing of Securities (the "**Hong Kong Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**HKEx**"), their further re-election will be subject to separate resolutions to be approved by the shareholders. The Board, taking into account the fact that the Group has no financial, business, family nor other material relationship with Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han other than their directorship in the Company, considers that they are still independent and should be eligible for re-election.

Details of the Directors' service contracts and appointment letters are described in the "Corporate Governance Report" on page 39 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 independence in writing pursuant to Rule 3.13 of the Hong Kong Listing Rules and the Board considers them to be independent.

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

As at 30 June 2018, 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**")) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were notified to the Company and the HKEx, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), are set out below:

		Number of ordinary shares held					
Name of Directors/ Chief Executive	Class of shares	Personal interests	Family interests	Corporate interests	Number of underlying shares held under equity derivatives	Total	Approximate percentage of the Company's total issued share capital
Mr. Ng Ong Nee	Ordinary shares	–	–	179,252,394 *(Note)*	–	179,252,394	14.34%

Note:

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

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 2018 as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the HKEx pursuant to the Model Code.

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

As at 30 June 2018, so far as is known to the Directors, the persons or companies (other than the Directors and the Chief Executive of the Company) who/which had an interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed under the provision of Division 2 and 3 of Part XV of the SFO, or which would be required, to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of shares held	Approximate percentage of interest in the issued shares of the Company
Changjiang Tyling *(Note 1)*	179,252,394	14.34%
Mr. Ng Ong Nee *(Note 1)*	179,252,394	14.34%

Notes:

(1) Changjiang Tyling is 50% owned by Mr. Ng Ong Nee 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.

(2) The Company had issued share capital of 1,249,637,884 shares on 30 June 2018.

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.

POST LISTING SHARE OPTION SCHEME

A post listing share option scheme which was adopted by the Company on 2 November 2009 and became effective upon the commencement of dealings of the Shares on the HKEx on 26 November 2009 (the "**Post Listing Share Option Scheme**") is the only share option scheme of the Company currently effective. The purpose of the Post Listing Share Option Scheme is to reward participants who have contributed to the Group and to provide incentives to participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole.

The Board may, at its discretion and on such terms as it may think fit, grant an option to any participant, including directors (including executive directors, non-executive directors and independent non-executive directors) and full time employees of the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of the Group who, the Board considers in its sole discretion, have contributed or will contribute to the development and growth of the Group.

The total number of shares which may be issued upon exercise of all options to be granted under the Post Listing Share Option Scheme must not exceed 77,055,980 Shares, representing 10 per cent. of the Shares in issue upon listing of the Company on the Main Board of the HKEx. The total number of the Shares issued and to be issued upon exercise of the options granted to each grantee under the Post Listing Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not exceed 1 per cent. of the Shares in issue for the time being unless approval from the shareholders of the Company in general meeting is obtained with such grantee and his/her/its associates abstaining from voting.

The exercisable period of an option under the Post Listing Share Option Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Board will determine the minimum period, which shall be no less than one year, for which an option must be held before it becomes exercisable. The grantee is not required to pay any consideration for acceptance of the options.

The subscription price for the Shares payable on the exercise of an option shall be a price determined by the Board at its absolute discretion and notified to a participant and shall be no less than the highest of (i) the closing price of the Shares as stated in the daily quotations sheet issued by the HKEx on the date of grant, which must be a business day; (ii) the average closing price of the Shares as stated in the daily quotation sheets issued by the HKEx for the five business days immediately preceding the date of grant; or (iii) the nominal value of the Shares.

The Post Listing Share Option Scheme is valid for a period which commenced on 26 November 2009 and will expire on 1 November 2019.

As at the date of this report, the total number of Shares available for issue under the Post Listing Share Option Scheme shall be 31,960,000, representing approximately 2.56 per cent. of the entire issued share capital of the Company.

Further details regarding the principal terms of the Post Listing Share Option Scheme were included in the Company's listing document dated 23 November 2009 under the section "Appendix IV Statutory and General Information – D. Other Information – I. Share Option Scheme".

Movements of the respective share options granted under the Post Listing Share Option Scheme during the year ended 30 June 2018 are as follows:

	Number of Underlying Shares comprised in Options								
Name or Category of participants	Balance as at 1 July 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 30 June 2018	Date of grant	Exercisable period	Exercise price per share	Weighted average closing price
Directors									
Dr. Lui Ming Wah, PhD, SBS, JP	500,000	–	–	500,000*	–	27/5/2010	27/5/2011 –26/5/2018	HKD5.68	–
Mr. Yang Zhen Han	500,000	–	–	500,000*	–	27/5/2010	27/5/2011 –26/5/2018	HKD5.68	–
Employees and others:									
In aggregate	9,464,000	–	–	9,464,000*	–	27/5/2010	27/5/2011–26/5/2018	HKD5.68	–
	16,700,000	–	–	–	16,700,000	28/2/2011	28/2/2012-27/2/2019	HKD9.00	
	18,370,000	–	–	3,110,000	15,260,000	21/5/2015	21/5/2016–20/5/2019	HKD1.47	–
	45,534,000	–	–	13,574,000	31,960,000				

* These share options lapsed on 26 May 2018.

Other than as disclosed above, no other share option was granted, cancelled or exercised or lapsed pursuant to the Post Listing Share Option Scheme during the year ended 30 June 2018 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.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed in this 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).

RETIREMENT BENEFIT SCHEMES

Information on the Group's retirement benefit schemes is set out in Notes 4(n)(i) and 11(a) to the Consolidated Financial Statements.

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 Hong Kong Listing Rules) during the year and up to the date of this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTEREST IN CONTRACTS

Apart from the information disclosed under the section headed "Connected Transactions" below, there was no other contract of significance in relation to the Company'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 Company'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 2018, none of the Directors were interested in any business which competed or was likely to compete directly or indirectly with the Company's business.

CONNECTED TRANSACTIONS

During the year, the Group had no connected transactions which are required to be disclosed in accordance with the Hong Kong Listing Rules (2017: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 99.6% of the Group's total sales for the year and sales to the Group's largest customer amounted to approximately 45.7%.

Purchases from the Group's five largest suppliers accounted for approximately 57.1% of the Group's total purchases for the year and purchases from the Group's largest supplier amounted to approximately 16.7%.

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.

DIRECTORS' REPORT

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.

COMMUNICATIONS WITH SHAREHOLDERS

The Board attaches great importance to maintaining good relationships with its 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 Hong Kong 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 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 33 to 41 of this annual report.

EMOLUMENT POLICY

As at 30 June 2018, the Group had 93 employees (not including those of the deconsolidated PRC subsidiaries), compared to 34 employees in the previous financial year.

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 the highest emoluments are set out in Notes 13 and 14 to the Consolidated Financial Statements and on page 39 of the Corporate Governance Report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events after the reporting period are provided in Note 30 to the Consolidated Financial Statements.

REVIEW OF THE FINAL RESULTS BY AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the Company's independent auditors the accounting principles and practices adopted by the Group and has discussed auditing, internal control and financial reporting matters, including the review of the audited consolidated financial statements of the Group for the year ended 30 June 2018.

INDEPENDENT AUDITORS

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

By order of the Board

Ng Ong Nee
Executive Director

28 September 2018

Ng Hoi Yue
Executive Director

28 September 2018

CORPORATE GOVERNANCE REPORT

The information set out on pages 33 to 41 and the information incorporated by reference constitute the Corporate Governance Report of Asian Citrus Holdings Limited (the "**Company**").

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 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**").

During the year ended 30 June 2018, the Company has complied with the Code Provisions of the CG Code, except for the following deviations:

Code Provision A.2.1

Mr. Ng Ong Nee, the Chief Executive Officer of the Company, was appointed as Chairman of the board (the "**Board**") of directors (the "**Directors**") of the Company on 4 August 2015. Since then, the roles of the Chairman and Chief Executive Officer have been performed by 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 Independent Non-executive Directors ("**INEDs**").

Code Provision A.5.1

The Company does not have a nomination committee. The Directors do not consider that, given the size of the Group and current stage of its development, it is necessary to have a nomination committee. However, this will be kept under regular review by the Board. The Board as a whole regularly reviews the plans for orderly succession to the Board and its structure, size and composition. If the Board considers that it is necessary to appoint new Director(s), it will set the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of the INEDs, the independence requirements set out in the Hong Kong Listing Rules from time to time. Nomination of new Director(s) will normally be made by the Executive Directors and is subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

Code Provisions C.1.1 and C.1.2

The management of certain deconsolidated subsidiaries of the Group in the People's Republic of China (the "**PRC**") did not provide sufficient explanation and information to the Directors to make an informed assessment of financial and other information, nor provide any monthly updates giving a balanced and understandable assessment of those deconsolidated PRC subsidiaries' performance and position to the Directors for their duties under Rule 3.08 and Chapter 13 of the Hong Kong Listing Rules.

During the course of auditing for the financial year 2015/16, the auditors of the Company reported that: (i) a director of certain deconsolidated PRC subsidiaries of the Group had alleged that there were inaccuracies in the books and records of certain deconsolidated subsidiaries of the Group and (ii) a finance manager of certain deconsolidated PRC subsidiaries of the Group had sent written correspondence to the auditors of the Company indicated that certain amounts or balances in the internal records of certain customers or suppliers did not correspond to the internal records of the Group. Subsequently, those management of such deconsolidated PRC subsidiaries of the Group refused to provide information requested by the Directors and senior management of the Company. In order to protect and enforce all the legal rights of the Group, the Company had engaged legal professional in PRC to handle those disputes issues arose and there were judgments of certain litigations granted in favour of the Group (the "**Beihai Minority Disputes**"). Those PRC subsidiaries were deconsolidated in the Company's financial statements for the year ended 30 June 2016. In late September 2017, the Group regained the control of a major PRC subsidiary, Lucky Team Biotech Development (Hepu) Limited* (利添生物科技發展(合浦)有限公司) ("**Lucky Team Hepu**"), and retrieved back the financial and legal records of Lucky Team Hepu from 1 January 2017 onwards successfully. As a result, the Company had re-consolidated the financial results of Lucky Team Hepu in the Group's consolidated financial statements from 28 September 2017 onwards.

Details of the legal procedures and progress of audit work and their updates are disclosed in the Company's announcements dated 29 September 2016, 30 June 2017, 29 September 2017, 31 October 2017, 30 November 2017, 28 December 2017, 31 January 2018, 28 February 2018, 26 March 2018, 30 April 2018, 31 May 2018, 29 June 2018 and 1 August 2018 respectively.

Code Provision C.1.3

Where the directors are aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, they should be clearly and prominently disclosed. Due to the Beihai Minority Disputes arose in September 2016 and the subsequent deconsolidation of those uncooperative PRC subsidiaries from the financial year ended 30 June 2016, the financial performance of the remaining group was adversely affected. It was noted that the Group's total liabilities exceeded its total assets substantially in the financial years of 2015/16 and 2016/17. Those liabilities were mainly due to the deconsolidated subsidiaries. However, the Group did not incur any debt instrument nor any bank borrowings. Instead, the Group had sufficient funding for operation in the coming twelve months. After the regain of control of a major subsidiary, Lucky Team Hepu, in late September 2017, the Directors believed that by implementing new marketing strategy on the current business segment, together with possible restructure of the Group and stringent cost control, the Group should be able to turn around the situation and continue its operation.

Code Provisions C.2.1, C.2.3(b) and C.2.4

Due to the Beihai Minority Disputes, the Directors and senior management of the Company could not access certain financial, legal and administration records of certain deconsolidated PRC subsidiaries, except Lucky Team Hepu which was retrieved back in late September 2017 and its results had been re-consolidated to the Group in this financial year as mentioned in the aforesaid paragraph, which affected the execution of an effective annual review of the internal control and risk management systems of the Group in the financial year 2015/16. As mentioned in the aforesaid paragraph, the Company had engaged legal professional in PRC in order to protect and enforce all the legal rights of the Group and to obtain copies of the relevant documents as a shareholder of those deconsolidated PRC subsidiaries. On the other hand, the Group has implemented a revised and strengthened internal control system and engaged an external professional accounting firm to conduct annual review of the internal control and risk management systems of the Group (excluded those deconsolidated subsidiaries) commencing from the financial year 2016/17 onwards.

* *For identification purposes only*

Code Provision A.6.7

INEDs and other non-executive directors should attend general meetings of the Company and develop a balanced understanding of the views of the shareholders. Although the INEDs and the Non-executive Director were unable to attend the annual general meeting (the "**AGM**") of the Company in 2017, the senior management of the Company had reported all special enquiries from the shareholders and acted as the communication bridge between the shareholders, the INEDs and the Non-executive Director so that the INEDs could aware and understand the view of the shareholders accordingly.

Code Provision E.1.2

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Hong Kong 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 had fully complied with the required standard as set out in the Model Code throughout the year ended 30 June 2018.

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 2018, the Board comprised six members, including two Executive Directors, one Non-executive Director and three INEDs, as follows:

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

Non-executive Director
Mr. He Xiaohong

Independent Non-executive Directors
Mr. Chung Koon Yan
Dr. Lui Ming Wah, PhD, SBS, JP
Mr. Yang Zhen Han

Biographical details of the Directors are set out on pages 23 to 24.

Responsibilities of the Board

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

The Bye-Laws of the Company 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.

Board Diversity Policy

The Board has adopted the board diversity policy since 1 September 2013 and discussed all measurable objectives set for implementing the policy.

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 Company'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, experience (professional or otherwise), skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

Board Meetings

The Board is scheduled to meet at least four times a year at approximately quarterly intervals with notice given to the Board of Directors at least 14 days in advance. For additional Board meetings which require discussion and resolution of significant issues arising during the operation of the Company, notice is given at a reasonable time in advance.

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

The Company Secretary is responsible for keeping the minutes of all Board meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for the Directors' inspection. Minutes of meetings of the Board and the Board committees record in detail the matters considered and the decisions reached, including any concerns raised by the Directors or dissenting views expressed. According to the Hong Kong Listing Rules, any Directors and their respective close associates (as defined in the Hong Kong 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, none of the Directors has any relationship including financial, business, family or other material relationship with each other.

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

Attendance of Meetings

During the year ended 30 June 2018, the Board convened a total of 6 Board meetings, 6 Audit Committee meetings and 2 Remuneration Committee meetings. Besides, a Director also attended the 2017 AGM to understand the views of the shareholders.

		Board Committee Meetings		
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**
	(Number of Times of Attendance/Total Number of Meetings)			
Executive Directors:				
Mr. Ng Ong Nee *(Chairman and Chief Executive Officer)*	6/6	N/A	2/2	0/1
Mr. Ng Hoi Yue *(Deputy Chief Executive Officer)*	6/6	N/A	N/A	1/1
Non-executive Director:				
Mr. He Xiaohong	6/6	N/A	N/A	0/1
Independent Non-executive Directors:				
Mr. Chung Koon Yan #	6/6	6/6	2/2	0/1
Dr. Lui Ming Wah, PhD, SBS, JP	5/6	6/6	2/2	0/1
Mr. Yang Zhen Han	6/6	6/6	N/A	0/1

Remarks #: Mr. Chung Koon Yan was the chairman of the Audit Committee and the Remuneration Committee.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the year ended 30 June 2018, Mr. Ng Ong Nee was the Chairman and the Chief Executive Officer of the Company. Mr. Ng Hoi Yue was the Deputy Chief Executive Officer.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 3.10(1) and 3.10A of the Hong Kong Listing Rules, there are three INEDs representing 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 Hong Kong Listing Rules.

The Company has received from each of its INEDs a written confirmation of his independence pursuant to Rule 3.13 of the Hong Kong Listing Rules. The Company, based on such confirmations, considers Mr. Chung Koon Yan, Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han are independent.

All INEDs have entered into letters of appointment with the Company for a term of three years. Under the Bye-Laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting after his 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 Hong Kong Listing Rules provided that every Director shall be subject to retirement by rotation once every three years.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

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

Corporate Governance Functions

The Board has adopted the terms of reference for corporate governance functions set out in the CG Code. The Board is responsible for performing the corporate governance functions and has reviewed the Company's policies and practices on corporate governance.

Audit Committee

The Audit Committee has the primary responsibility for reviewing the effectiveness of the Company's financial control, internal control and risk management systems and ensuring that the financial performance of the Company is properly measured and reported on, receiving and reviewing reports from management and the external auditors relating to the annual and interim financial statements, and monitoring the accounting, internal control and risk management systems in use throughout the Group for the year ended 30 June 2018.

As at 30 June 2018, the members of the Audit Committee comprised Mr. Chung Koon Yan, Mr. Yang Zheng Han and Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Chung Koon Yan was the chairman of this committee. During the year, the Audit Committee has duly discharged its responsibility.

Remuneration Committee

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

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

As at 30 June 2018, the members of the Remuneration Committee comprised Mr. Ng Ong Nee, Mr. Chung Koon Yan, and Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Chung Koon Yan was the chairman of this committee. During the year, the Remuneration Committee has duly discharged the responsibility mentioned above.

CORPORATE GOVERNANCE REPORT

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure a proper understanding of the Company's operations and business and full awareness of the Director's responsibilities under the statues and common law, the Hong Kong 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 monthly 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 2018 and have provided records of training received during the year ended 30 June 2018 to the Company.

SERVICE CONTRACTS

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

Pursuant to Code Provision B.1.5 of the CG Code, the annual remuneration for the year ended 30 June 2018 of the members of the senior management (other than the Directors of the Company) whose particulars are contained in the section headed "Director and Senior Management Profile" in this annual report by band is set out as below:

Remuneration band	Number of individuals
Less than RMB1 million	1
RMB1 million or more but not exceeding RMB2 million	0
	1

POST LISTING SHARE OPTION SCHEME

Details of the share option scheme are shown on pages 28 to 29 of this annual report.

INDEPENDENT AUDITORS' REMUNERATION

For the year ended 30 June 2018, the remuneration in respect of audit services and non-audit service provided by the independent auditors of the Company, HLB Hodgson Impey Cheng Limited, amounted to approximately RMB1,319,000 and RMB659,000 respectively.

DIRECTORS' AND AUDITOR'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Saved as disclosed in the aforesaid paragraph "Code Provision C.1.3", the Board acknowledges its responsibility to prepare the Group's financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 30 June 2018, 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 (excluding those deconsolidated PRC subsidiaries) and the Company. The Directors must ensure that the financial statements comply with applicable laws and follow the International Financial Reporting Standards. The reporting responsibility of the external auditors of the Company on the consolidated financial statements of the Company for the year ended 30 June 2018 is set out in the Independent Auditors' Report on pages 56 to 134 of this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board believes that maintaining adequate internal control and risk management systems are vital to the Group so that the Group's business decision and operation can be implemented effectively to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Saved as disclosed in the aforesaid paragraphs "Code Provisions C.1.1 and C.1.2" and "Code Provisions C.2.1, C.2.3(b) and C.2.4", the Board takes overall responsibility for ensuing the establishment of appropriate and effective internal control and risk management systems of the Group.

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

An annual internal control review was carried out by an independent professional accounting firm engaged by the Company covering the assessment of the financial and non-financial risks. It reviewed the policies, procedures and controls in place for the listed holding company and its major subsidiaries, in the following areas: (i) compliance of corporate governance code; (ii) information technology; (iii) fixed assets management; (iv) financial reporting procedures; (v) revenue, cash receipt, purchase and expenses cycles; (vi) treasury operations; (vii) inventory control and (viii) cash management. The reviewer interviewed the department heads and 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 financial year ended 30 June 2018 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 and 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.

COMPANY SECRETARY

The Company Secretary of the Company is responsible for facilitating the Board, as well as communications among the Board members, with shareholders and management. Ms. Ng Ling Ling was the Company Secretary during the year ended 30 June 2018. Ms. Ng has fulfilled professional training requirement for the year ended 30 June 2018.

SHAREHOLDERS' RIGHTS

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

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

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

The above procedures are subject to the Company's 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 of the Company at the principal place of business in Hong Kong at 1/F., Ching Cheong Industrial Building, 1-7 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

CONSTITUTIONAL DOCUMENTS

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

The main business of Asian Citrus Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") is commercial plantation of citrus fruit mainly oranges. This Environmental, Social and Governance ("**ESG**") Report covers the Group's head office and a marketing and administrative office in Hong Kong Special Administrative Region ("**HKSAR**"), and a sale and marketing office in Shenzhen Special Economic Zone, the People's Republic of China (the "**PRC**") and the plantation operation in Hepu County, Guangxi Zhuang Autonomous Region, the PRC. Owing to special circumstance already explained in the Annual Report, the Group has been consolidated Lucky Team Biotech Development (Hepu) Limited* (利添生物科技發展(合浦)有限公司) ("**Lucky Team Hepu**") back into the Group with effect from 28 September 2017. In addition, the acquisition of an agriculture company, Guangxi Hepu Guanhau Agriculture Co., Ltd.* (廣西合浦冠華農業有限公司), was completed on 18 September 2017.

We herein disclose the ESG Report which is prepared in accordance with Appendix 27 – Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. This is the second ESG Report prepared by the Group, which continues to follow the principles of materiality, quantitative, balance and consistency as recommended by the ESG Guide. Apart from updating the Group's policies and measures regarding material environmental and social areas and aspects which are considered to have significant impact and are relevant to the Group's business and stakeholders, we also report our environmental and social obligation performance for this reporting period, from 1 July 2017 to 30 June 2018.

1. Corporate Missions and Visions

The Group continues our missions to grow and to sell organic, fresh and safe oranges to consumers at good value, and our visions to be one of the main fruit growers in the PRC to grow high quality, organic, fresh and safe citrus fruit, primarily oranges; to provide safe and pleasant working environment to employees, reasonable returns on investments to investors, business partners and supporters, and sustainable development to the local community and environment.

ESG Commitments and Actions

The Group firmly believes that the ESG areas and aspects listed in the ESG Guide are significant considerations for its short and long term business operations. The Group respects opinions and views of its stakeholders and has assigned the board of directors of the Company (the "**Board**") and senior management team to constantly review and to communicate with its stakeholders including but not limited to its employees, investors, suppliers and business partners in order to have a thorough understanding and insights on ESG material aspects in the reporting period. The Group identified the following material aspects and has managed them strictly in accordance with the Group's policies and guidelines and in compliance with the relevant legal and regulatory standards.

- Environmental Protection and Conservation
- Employment and Packages
- Working Conditions and Safety

* *For identification purpose only*

- Raw Materials Supply and Procurement
- Quality of Products and Services
- Privacy Information Protection
- Bribery and Corruption

The Group is committed to conducting its business in a transparent, equitable, legally and socially responsible manner, continuing to care about the impact of its daily operation on the environment, employees and community, making efforts to meet the interests of all stakeholders, environment, society and corporate governance, and achieving a balance position among all.

ESG Management Structure

The Group's ESG management structure aims at achieving our corporate missions and visions. Same as last year, 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. The day-to-day management including the effective implementation of the overall strategies and initiatives adopted by the Board on operations, financial, environmental and social issues and obligations, has been delegated to the Chief Executive Officer ("**CEO**") and his senior management team comprising the Deputy CEO and the General Manager ("**GM**") of the plantation fields.

Under the direct management of the GM, and supported by an internal control system, the Group ensures its corporate and plantation operation are in compliance with its environmental and social responsibilities and obligations as required by the ESG Guide and the laws and related regulations of the PRC, and the specific guides of the organic fruit growing industry.

2. Material Areas and Aspects, and Key Performance Indicators (KPIs)

(A) Environmental Areas and Aspects

The Group continues with its responsibility and commitments to the environmentally sustainable development with its on-going operations. We grow "Green Fruit" under "Green Environment" concepts, which are well recognised in the PRC and comply with the requirements of the PRC laws and the specific guides in the organic fruit industry. We have committed to the social responsibility of protecting the environment as a responsible corporation, which includes the implementation of environment protection policies and measures to ensure our business and plantation operation, are energy, water and resources saving, and environmentally friendly.

The Group, same as last year, was not subject to any reported violation in relation to its emissions and waste discharges or other environmental obligations during the reporting period.

A1. Emissions and Waste

During the course of our operation in the plantation office and fields in Guangxi, the sales and marketing offices in Shenzhen and the head office in Hong Kong, the types of emissions and wastes for the reporting period mainly are certain air pollutants, direct and indirect greenhouse gases (mainly carbon dioxide (CO_2)) emissions from diesel, petrol and electricity consumption, and non-hazardous packaging wastes.

(i) Greenhouse Gas ("**GHG**") and Air Pollutant Emissions

Our main emissions from the offices in Hong Kong and Shenzhen are GHG (mainly CO_2) indirectly generated from the use of electricity. While in the plantation fields, apart from indirect GHG (mainly CO_2) generated from the use of electricity, other air pollutants such as nitrogen oxides (NO_x), sulphur oxides (SO_x), particulate matter (PM) emissions, methane and nitrous oxides are generated from the use of diesel and petrol in our tractors, weed-mowing machines, generators, etc. The Group has taken active measures to minimize the consumption of electricity, diesel and gasoline by lowering the energy consumption and by minimizing the environmental impact of gas emissions. The GM is tasked for managing this area. Staff has constantly been reminded to use electricity, diesel fuel and water smartly and efficiently. Supervising officers have been assigned the duties to inspect offices and plantation fields to ensure proper use of equipment and equipment and water taps not in use are turned off. The Group has continuously been investing in new equipment for resources saving purpose.

The uses of electricity, diesel and petrol, and the resultant direct and indirect air pollutants and greenhouse gas emissions from our plantation and the 2 offices in Hong Kong and Shenzhen are measured and monitored in the KPIs tabled below. The emissions performance recorded will be used as our base line for the management to monitor and to review regularly.

Direct and Indirect Emissions Record

	Items of emissions	**Year ended 30 June 2018**	
		Unit	*Quantities*
1	SO_x direct emission	kilograms	2.14
2	NO_x direct emission	kilograms	2,096.35
3	PM direct emission	kilograms	207.82
4	CO_2 direct emission	tonnes	212.77
	CO_2 indirect emission		
	– the PRC	tonnes	310.21
	– Hong Kong	tonnes	23.25

(ii) Non-hazardous Wastes

As disclosed last year, non-hazardous wastes from our plantation operation are mainly plastic bags and containers from the use of fertilizers and pesticides, and packaging scraps for our oranges. While in our offices, only small quantities of paper waste are generated. For the plastic bags and containers generated, they will be collected by licensed collection operators for proper disposal. For paper, we have introduced measures to reduce its usage and all staff have been encouraged to print on both sides of papers and to use electronic messaging.

Weeds are hazardous to our fruit trees as they consume the nutrients of the soils, nevertheless, weed killing chemical agents cannot be used as they are harmful to the soils. We have therefore invested on specialized weed-mowing equipment and to employ workers to do the works properly and regularly. In our plantation fields, large amounts of waste of weeds, leaves and tree branches have regularly been generated, and we have collected, crushed, decomposed and reused them as natural fertilizers for our plants to produce organic fruit.

A2. Use of Resources

As disclosed last year, the core business operation of the Group – growing and sale of organic fruit, namely oranges, mainly uses the following resources:

(i) Energy (electricity and diesel fuel) – Electricity is for offices; while diesel and petrol are used mostly for the equipment such as tractors, weed-mowing machines, water-pump generators, etc.

For the reporting period, the plantation operation and the 2 offices consumed approximately 311,058 Kwh and 29,529 Kwh of electricity respectively. At the same time, approximately 10,968 litres of petrol and 69,322 litres of diesel were used in the plantation fields.

To save energy which also saves costs, the Group, has assigned responsible officers to manage and to guide employees to use electricity, diesel and petrol smartly and efficiently. The Group has encouraged employees to turn off all electrical appliances, air-conditioners, and lights in a timely manner and after work and to use natural ventilation instead of air-conditioning whenever the conditions allow. We have set up a target for the coming year to further reduce energy consumption.

(ii) Water – It is mainly used for watering plants and cleaning the oranges. For our plantation operation, the main sources of water supply are from natural rainfall and ground-water. We also conserve and store surface running water to supplement our watering needs. During the reporting period, the plantation operation used a total of approximately 134,600 cubic meters (CBM) of fresh water, while the 2 offices used an insignificant amount of fresh water supplied from the office waterway system for staff general daily needs.

To minimize water consumption, the Group has constantly reminded its employees to use water smartly and responsibly. In our plantation operation, used water will be filtered, recycled and reused. Supervising officers have been assigned to ensure there is no unwarranted use and waste. For bettering monitoring, meters have been installed to record the water usage pattern and a consumption target has also been set for the coming year.

(iii) Packaging materials and papers – They are mainly used for packaging oranges for sales, and offices filing and printing. To support a green environment, the Group uses recycled carton boxes and papers. At the same time, the Group has encouraged the office staff to reduce paper consumption as much as possible through the use of electronic tools such as emails, messages and USB storage to replace paper files, sketches and letters; and to print on both sides of papers.

A3. Environment and Natural Resources

Land and Water Resources

As mentioned above, the Group's core operations mainly use natural resources including electricity, diesel, petrol, water, papers and land, which will have impacts on the environment if they are not properly managed. Through a properly managed control process, the amount of greenhouse gas emissions and waste discharges generated by the Group has been reasonable and on an acceptable level. For water, apart from natural rainfall which is the main source of supply, we have secured relevant approvals to drill our own wells to source ground-water, and at the same time we have conserved and stored surface running water to supplement our water supplies. For land, our plantation fields are located in a tropical belt, and heavy rainfall will erode the soils if they are not properly conserved. We have adopted a scientific approach in our tree planting process to ensure proper conservation of the soils and the un-used hillside slopes. The plantation has improved and beautified the topographical landscape of the site used. The Group has taken a responsible approach to implement policies and measures to handle the emissions and discharges, to ensure water supplies and the use of the land properly, and the Group has not been subject to warnings, fines nor violation notices, and has been in compliance with the applicable environmental protection laws and regulations in all materials respects during the reporting period.

As a guiding principle and policy not just for cost savings but also for preserving the natural resources for the future, the Group has constantly reviewed ways and means to achieve further resources savings. We have tried to conserve and to store surface running water for further use. We constantly update and upgrade our 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.

(B) Social Areas and Aspects

(i) Operation Practices and Community

B1. Employment and Labour Practices

Unlike other businesses, the Group's fruit plantation operation and the sale of organic fruit depend primarily on the climatic and natural environmental conditions. However, the skills, passions and commitments of our employees are vital for our operation and business performance. We have therefore valued our employees as one of our most valuable assets and an inseparable part of our business and operations. The Group has therefore carefully formulated and cautiously implemented our employment policies and measures which remain unchanged from last year.

The GM, reporting directly to the Group's CEO, has been assigned with the responsibilities to implement the Group's human resources strategies and policies, and has been charged with the responsibilities and duties to ensure all the statutory obligations of the Group have been fulfilled and complied with in a legitimate manner.

The Group ensures that it has complied with all laws, rules and regulations on the employment arrangements of the operations' domiciled countries, namely the PRC and HKSAR, and totally forbidden the use of child labour and forced labour. The Group has also committed to providing equal opportunities to all employees on recruitments, promotions, compensations and benefits, and has established a pleasant, safe and healthy working environment.

Our Employment Rules and Regulations ("員工規則") and Labour Contracts ("勞動合同") have detailed all the terms and conditions related to wages and salaries, social insurance, holidays, severances and compensations, performance assessments, accidents and injuries, safety and health, which are in strict compliance with the PRC and HKSAR employment laws and regulations. We have provided and maintained statutory benefits to all qualified employees including but not limited to compensations and statutory holidays, severances, mandatory provident funds for Hong Kong employees, and insurances (retirement pension, unemployment, medical and work injury insurance) for PRC employees pursuant to the requirements of the laws of the PRC and HKSAR.

Regarding recruitment of employees for general work, the Group has adopted multiple approaches including external recruitments, internal promotions and referral programs to encourage current employees to refer suitable candidates for vacancies, which are open to all with equal opportunities, to be decided with no discrimination on sex, religion, gender, age or disability, and are selected based on qualification, skill and competency. All successful employment arrangements must be set out into proper and standardized contracts in writing between the respective employees and the Group. On employees' remuneration packages, the Group has made reference to the prevailing market level according to their competency, qualifications and experience.

Regarding recruitment of employees for plantation works, owing to the special nature of works, there is a strong seasonal fluctuation. During harvesting, we will need a large number of temporary or part-time workers to hand-pick oranges. To solve this situation and to provide job opportunities to female workers of local villages, we have entered into mutually beneficial service agreements with the local communities that they will source, organize and supply temporary workers to us and we will pay a pre-agreed service fee. The temporary workers will sign contracts with the local communities as their employees and the local communities will be responsible for paying and maintaining the salaries, employee benefits and rights of those employees under the Labour Laws of the PRC.

As at 30 June 2018, the Group employed a total of 93 employees, detailed breakdown of the employees are exhibited as follows:

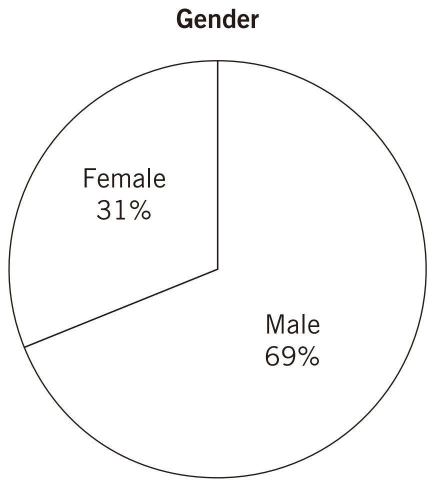

Figure 1: Number of Employees by Gender

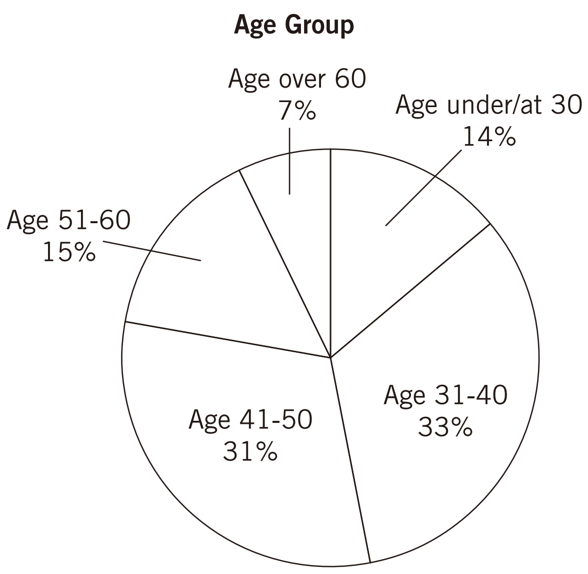

Figure 2: Number of Employees by Age Group

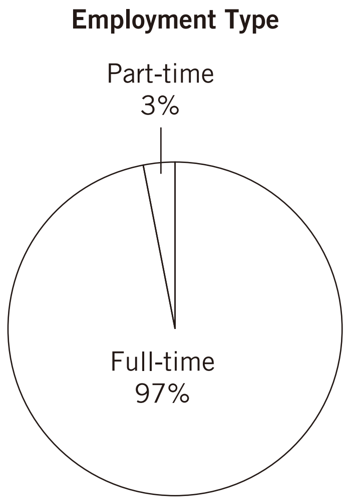

Figure 3: Number of Employees by Employment Type

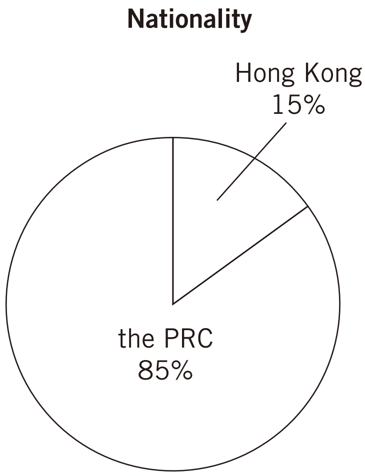

Figure 4: Number of Employees by Nationality

During the reporting period, same as last year, the Group honored all obligations to our employees including the payment of salaries and wages, holidays and leaves, compensations, insurances and health benefits without any disputes.

B2. Health and Safety

The Group has adopted and implemented "employees-oriented" human resources policies, and has strived to provide a pleasant, safe and healthy working environment to our employees. The employment contracts have contained details on health and safety protection, of which the Group has fully complied with the employment laws and regulations of the PRC and HKSAR.

The Group has honored all of its obligations towards the employees, including but not limited to paying all medical insurances to provide coverage on sicknesses, injuries and accidents for our employees, and Retirement Provident Funds for employees in Hong Kong and retirement and unemployment insurances for PRC employees in accordance with the relevant statutory requirements. The Group has also equipped our offices and plantation fields with all the required safety equipment and facilities, which have been inspected and approved by the relevant health and safety authorities. We have also implemented a set of safety and health procedures and guidelines to promote safety at work sites. We have sponsored the office and plantation field supervisors to attend safety work training programs. Whenever an injury or an accident occurs to an employee in the office or plantation fields during work, regardless of type and seriousness, it is obligatory under in-house rules to report to the GM without delay, who will then take appropriate actions immediately to ensure safety measures are strictly adhered to.

During the reporting period, same as last year, the Group had no significant workplace accident nor any work injuries litigations in Hong Kong and the PRC operations.

B3. Development and Training

As mentioned above that employees are one of our most valuable assets and our business and operation performance significantly depend on their passions, loyalties, commitments and skills. The Group has therefore frequently invested and organized training programs internally to our employees of all levels, from managers, operational to general working employees to improve their skills and to raise their safety and health know-how. We have also supported and sponsored employees to attend external training programs to continue learning and improving their knowledge and job skills for the benefit of the employees as well as the Group.

During the reporting period, the Group provided 180 hours of training to 28 employees, representing 30.11% of our total work force.

B4. Labour Standards

Same as last year, the Group strictly complies with the Labour Laws of the PRC《中華人民共和國勞動法》and the Employment Ordinance of the HKSAR, and adopts their respective standards on employment and labour protection and welfare. The Group adheres to the laws of the PRC and HKSAR and the local market practices on recruitments, dismissals, promotions, leaves, holidays, benefits as well as equal employment opportunities to all sexes, ages, races and religions. The Group acts strongly against child, illegal and forced labour.

During the reporting period, the Group did not have any complaints or warning notice from any government authorities where our operations were domiciled or from our employees in Hong Kong regarding our employment policies, arrangements and practices.

(ii) Operation Areas and Aspects

B5. Supply Chain Management

Defined in the ESG Guide, supply chain management refers to management of suppliers, materials, technologies and/or services sourcing and purchases. The Group's main purchases include fertilizers, pesticides, fuels, packaging materials, office routine supplies, utensils and spare parts.

The Group has well established purchase policies which guide the purchases on a fair and equitable manner. Purchases within a specified amount are handled by the respective local offices for operational convenience reasons. Approvals from the Hong Kong headquarters are required when the transaction values exceed the threshold limits.

All purchase transactions are open and transparent and managers are required to quote from different suppliers for comparison to ensure cost efficiency and quality guarantee and to check and ensure that all products and services purchased are in line with the terms and conditions of the purchase contracts entered. All purchase transactions are subject to the scrutiny of management of different levels depending on the contract value and significance. They are also subject to the scrutiny of external independent audit checks.

As part of the purchase process, the Group has maintained a list of approved suppliers for different types of supplies. The approved suppliers have been carefully selected based on a set of selection criteria. We consider the quality and stability of supplies and their track records to be important. We also consider the pricing of the products, payment and credit terms, purchase discounts, capacities, business operations and responsiveness to contingency in our selection process. We generally conduct quality reviews of trial orders of a potential supplier for at least two or three times before putting it in our list of approved suppliers. The purchasing staff also conduct evaluations and reviews of the approved suppliers on a regular basis, suppliers failing to meet our standards will be removed.

To qualify as "organic" fruit, we have to comply with the China Organic Food Certification Center (中綠華夏有機食品認証中心) ("**COFCC**") requirements and standards on "organic" foods especially on the use of the fertilizers and pesticides. The Group insists on the use of the fertilizers and pesticides which will not deteriorate the soil and underground water quality, affect the health of the employees and neighbouring villages, or produce unhealthy fruit.

As a means to support the local economies, to ensure flexibility of supplies and to reduce carbon footprint, the Group gives priorities to local suppliers on purchases. During the reporting period, the Group purchased all of its supplies from 77 local suppliers for our plantation operation, while in our Hong Kong offices, similar to last year, the majority of the suppliers were local suppliers.

B6. Products Responsibility

There are four major aspects under product responsibility, namely "quality of products", "sales dissatisfaction redress", "privacy" and "intellectual property right", which our Group's policies, internal control processes, employee rules and regulations and contracts have clear guidelines and rules to deal with, and are summarized below:

(i) Products Quality

The Group is fully aware that the "quality" aspect has the greatest materiality and impact on our business. To ensure quality of our products, the Group's plantation operation has satisfied all the requirements with valid operation licenses and approvals including the land-use and ground water usage rights, environmental safety licenses, etc., and has attended to details of the production and operation processes. The Group has obtained the "Quality Management System Certification" (質量管理體系認証証書) ISO9001:2008 GB/T19001-2008 issued by the China Quality Certification Centre (中國質量認証中心), which endorsed our effective management on products quality.

Quality and safety of our oranges are the two most important issues. The Group has insisted on implementing a total quality control standards in our operation processes, as disclosed before and summarised below to produce the highest quality and safety oranges:

- *Soils and Water* – The Group has carried out measures such as the use of eco-friendly and non-hazardous fertilizers and pesticides, purification of water, etc., and regular tests to prevent our soils and water from being contaminated or polluted.

- *Fertilizers and Pesticides* – The Group produces and uses natural fertilizers by collecting and decomposing weeds and leaves, and supplements with fertilizers which must be eco-friendly, non-toxic and not harmful to the soils and underground water and approved by the Environmental Bureau of the PRC. The Group also purchases and uses the pesticides fulfilling the same criteria for fertilizers as just stated. Furthermore, as mentioned before, the Group will only purchase fertilizers and pesticides from approved and reliable suppliers.

- *Harvesting and Sorting* – The processes will be done manually, oranges below standard will be discarded.

- *Selection before Packaging* – The Group, at this process, will carry out the final stage of quality inspection and select those oranges of acceptable quality for packaging before they are sent to temperature controlled warehouses for temporary storage or directly to customers.

- *Storage before Delivery* – The Group has built its own temperature controlled storage warehouses to store the packaged oranges under a safe temperature to maintain the quality and freshness of the oranges.

  With such a strict total quality control process, the Group's "Royal Star" (新雅奇) brand orange has obtained the "Organic Product" status under Certificate number 1000P1200006 issued by China Quality Certification Centre since 21 July 2008 and subsequently renewed on 13 July 2017.

  During the reporting period, the Group did not have any sale return and serious complaints or claims on our products quality, nor our products were under any investigations by government authorities on quality and safety issues.

(ii) Handling of Sales Complaints

As reported last year, the Group has clear procedures to handle customers' complaints on the quality of our products. Whenever a customer complaint is received, we will immediately conduct investigation into the matter and find out the reasons why the quality of our products has been downgraded. For most of our sales, the customers will buy our products in our warehouses and the quality of our products will be confirmed before delivery. There should not be any quality variation or complaints. However, for some sales orders, we will select the products ourselves and deliver to the customers' warehouses, which during transit may have unforeseen accidents causing a change to the quality of our products. Under these situations, we will normally 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 only infrequently and had been amicably settled.

For better management control, the Group maintains a file to record and track all sales complaints and returns with various reasons. During the reporting period, same as last year, the Group did not receive any complaints from customers that had any material adverse impact on our products, business and results of operation.

(iii) Privacy

The management of the Group fully respects privacy especially personal privacy in our business operations. The Group abides fully the "Personal and Private Data Ordinance" ("**PPOD**"). We are extremely careful in handling private, confidential and sensitive information of customers, suppliers, business partners.

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.

Same as last year, the Group received no complaint on any breach of privacy or leakage of information under PPDO during the reporting period.

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

The Group is fully aware of the importance of IPR and its protection, and has therefore registered its company logo and "Royal Star" brand with the Trade Marks Registry of The Government of the HKSAR. The Group has taken all measures to ensure that our logos and brands have not been infringed. On our day-to-day operation, the Group observes and respects all IPR. We have installed genuine softwares in our computers to avoid vulnerabilities and legal disputes arising from software copyright infringement. During the reporting period, same as last year, no IPR infringement case was reported.

B7. Anti-Corruption

The Group is fully aware of the importance of honesty, integrity and fairness in our business operations and has put in place an anti-corruption policy. The Group has implemented a strict "Internal Control System" under which the audit committee is authorized by the Board to conduct regular reviews on the operation processes so as to regulate the conduct and behaviour of employees, create an atmosphere of integrity and honesty, and prevent prejudice against the Group's interest. The internal audit function is responsible for whistle-blowing and taking up the remedial actions. For transactions in large monetary sums, they must be processed through bank transactions which require authorized signatories of the appropriate levels depending on the amounts involved. 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 last year.

B8. Community Investments

To be a responsible corporation and to repay to the society, it is one of the top priorities for the Group to support the local communities. During the reporting period, the Group funded the repairs and maintenance of the roads nearby our plantation fields. The Group also made a sponsorship of RMB300,000 to the local poor students in the villages of Hepu County, Guangxi Autonomous Region for supporting their studies. The sponsorship was given to 10 high school graduates, 50 secondary school students and 100 primary school students.

Furthermore, the Group insists on developing and operating our business in an environmental-friendly manner. We have improved the landscape of our plantation fields, conserved water and top soils. Most important of all, our grown trees have generated and released oxygen back to atmosphere. Apart from permanent jobs creation, the Group has also provided plenty of temporary jobs with first priority to village workers in Hepu County. Also, during festive seasons, the Group has organized celebration events and gatherings for its employees together with the locals.

INDEPENDENT AUDITORS' REPORT

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

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Asian Citrus Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 73 to 134, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements and as to whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

a) **Authenticity of accounting records and deconsolidation of all subsidiaries (except for Guangzhou Asian Citrus Investment Consulting Co., Ltd. (廣州市亞機果投資諮詢有限公司)) of the Company incorporated in the People's Republic of China (the "PRC")**

As disclosed in note 2 to the consolidated financial statements:

(i) during the course of our audit of the consolidated financial statements of the Group for the financial year ended 30 June 2016, we had received written correspondences which appeared to be sent by a person named Mr. Chen De Qiang (陳德強), who is a finance manager of certain PRC subsidiaries of the Company. It was asserted in the correspondences that he was acting on behalf of Mr. Man Gui Fu (滿桂富) ("**Mr. Man**") a minority shareholder, director and general manager of Beihai Perfuming Garden Juice Co., Ltd. (北海市果香園果汁有限公司) ("**Beihai Perfuming Garden**"), a PRC subsidiary of the Company, and holder of positions in some other PRC subsidiaries of the Company. In the correspondences, it was indicated to us that certain amounts or balances in the internal records of certain customers and suppliers did not correspond to the internal records of Hepu Perfuming Garden Food Co., Ltd. (合浦果香園食品有限公司), a PRC subsidiary of the Company, for the year ended 30 June 2016;

(ii) at the request of a man who claimed to be Mr. Man's representative, we had arranged to meet Mr. Man in the office of our legal adviser (the "**Meeting**"). A man who claimed to be Mr. Man attended the Meeting and asserted to us that there were inaccuracies in the books and records of certain subsidiaries of the Company and provided to us documents purporting to be copies of bank statements for the period from 1 January 2016 to 30 June 2016 of Lucky Team Biotech Development (Hepu) Limited (利添生物科技發展(合浦)有限公司) ("**Lucky Team Hepu**"), a PRC subsidiary of the Company;

(iii) the Company was made aware of services of proceedings from a court in the PRC whereby Mr. Man had commenced legal proceedings against Chance Lead Holdings Limited ("**Chance Lead**"), a subsidiary of the Company, alleging that he had the right to require Chance Lead to transfer 46.14% equity interests in Beihai Perfuming Garden to him pursuant to certain contractual arrangements alleged to have been executed by Chance Lead, Mr. Man and the previous shareholders of Beihai Perfuming Garden in February 2010 (the "**Arrangements**"); and

(iv) the Company was made aware of a court order in the PRC requiring Tianyang Perfuming Garden Food Industrial Co., Ltd. (田陽果香園食品工業有限公司) ("**Tianyang Perfuming Garden**"), a PRC subsidiary of the Company, to repay a loan of RMB17 million and the interests in arrears. Tianyang Perfuming Garden had allegedly entered into a loan facility agreement with a person named Xue Zhen (薛珍) on 1 June 2016 in respect of a loan amounting to RMB17 million with interest rate at 6% per annum and had allegedly pledged two pieces of land to Xue Zhen as security for the loan (the "**Tianyang Perfuming Garden Proceeding**") (hereinafter, the Tianyang Perfuming Garden Proceeding, together with the other assertions and allegations referred to in sub-paragraphs (i) to (iii) above, are collectively referred to as the "**Allegations**").

Upon our further inquiries, we were informed that the directors of the Company had sought, but were unable, to gain access to the books and records of Lucky Team Hepu, Beihai Perfuming Garden, Tianyang Perfuming Garden and all the other PRC subsidiaries of the Company except for Guangzhou Asian Citrus Investment Consulting Co., Ltd. (廣州市亞機果投資諮詢有限公司) (the "**PRC Subsidiaries**"). Further, the management of the PRC Subsidiaries did not respond to the requests of the directors of the Company for additional information and explanations relating to the subject matters of the Allegations.

Under the circumstances as described above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of the matters to which the Allegations relate. There were no alternative audit procedures that we could perform to obtain sufficient and appropriate evidence as to the causes and effects of the alleged discrepancies and other matters which are the subject matters of the Allegations, and their implications and impacts on the elements presented in the consolidated financial statements of the Group for the year ended 30 June 2018 and the comparative figures presented in these consolidated financial statements. In particular, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding (i) whether there were problematic transactions and balances that caused, or were caused by, the alleged discrepancies and other matters which are the subject matters of the Allegations and if there were, whether these were appropriately reflected in the Group's consolidated financial statements for the respective financial years to which they relate (i.e. the year ended 30 June 2018 or preceding year or years); (ii) the nature, extent and validity of the problematic transactions and balances, if any, and the reasons why they arose; (iii) whether there were any contingent or unrecorded liabilities arising from the problematic transactions and balances, if any, including penalties and other financial consequences from breaches of laws and regulations; and (iv) whether there were any problematic transactions and balances involving related parties but which had not been identified by the management of the Group. These scope limitations also impacted on our ability to determine the reliability of the management representations received by us as audit evidence for our audit testing purposes and hence of the audit evidence in general. Any adjustments found to be required may have consequential significant effects on the elements in the consolidated financial statements for the year ended 30 June 2018 and the comparative figures for the preceding financial year and hence on the net liabilities of the Group as at 30 June 2018 and 2017 and the loss and other comprehensive income and cash flows of the Group for the years ended 30 June 2018 and 2017.

Given the inability of the management of the Group to gain access to the complete books and records of the PRC subsidiaries or to obtain explanations and information from the management of these subsidiaries (hereinafter, together with the incidents relating to the Allegations, are collectively referred to as the "**Incidents**"), the Board of Directors of the Company (the "**Board**") considered that the Group did not have the necessary information about the transactions and account balances of the PRC subsidiaries for inclusion of these entities in the consolidated financial statements of the Group for the year ended 30 June 2016 and subsequent financial years. Accordingly, the Board had determined that the PRC subsidiaries (the "**Deconsolidated Subsidiaries**") shall be deconsolidated from the consolidated financial statements of the Group with effect from 1 July 2015.

The deconsolidation of the Deconsolidated Subsidiaries resulted in a loss on deconsolidation of approximately RMB3,935,432,000, representing the carrying amounts of the net assets of the Deconsolidated Subsidiaries, less the related non-controlling interests, as at 1 July 2015 as included in the management accounts of the Deconsolidated Subsidiaries used in the preparation of the consolidated financial statements of the Group for the year ended 30 June 2015. This loss amount, which includes the effects of the Incidents which as at the date of this report are still unascertained, has been recognised as "loss arising from the Incidents" in the consolidated statement of profit or loss for the year ended 30 June 2016.

The deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015 also resulted in the exclusion of the assets, liabilities, revenue, income, expenses, and cash flows of the Deconsolidated Subsidiaries from the consolidated financial statements of the Group for the years ended 30 June 2018 and 2017. Except possibly in the case of Beihai Perfuming Garden and its subsidiaries (see the next sub-paragraph below), this accounting outcome is a departure from the requirements of International Financial Reporting Standard ("**IFRS**") 10 "Consolidated Financial Statements", which requires all subsidiaries controlled by the Company and its subsidiaries to be included in the consolidated financial statements of the Group. The facts and circumstances described above do not show that the Group had lost control over the Deconsolidated Subsidiaries (except possibly for Beihai Perfuming Garden and its subsidiaries) with effect from 1 July 2015. Accordingly, under IFRS 10, the Company should have consolidated the Deconsolidated Subsidiaries (except possibly for Beihai Perfuming Garden and its subsidiaries) in its consolidated financial statements for the years ended 30 June 2018 and 2017. Had these subsidiaries been consolidated, many elements in the consolidated financial statements of the Group for the years ended 30 June 2018 and 2017 would have been materially affected. However, as stated above, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of the matters to which the Allegations relate, including the effects of the Incidents. Accordingly, the effects on the consolidated financial statements of the Group of the failure to consolidate the Deconsolidated Subsidiaries (except possibly for Beihai Perfuming Garden and its subsidiaries) could not be determined.

In the case of the deconsolidation of Beihai Perfuming Garden and its subsidiaries, we have not been able to obtain sufficient appropriate audit evidence to enable us to assess the effects of the matters to which the allegations described in sub-paragraph (iii) above relate. There were no alternative audit procedures that we could perform to obtain sufficient and appropriate evidence as to the causes and effects of these alleged matters and their implications and impacts on the elements presented in the consolidated financial statements of the Group for the year ended 30 June 2018 and the comparative figures presented in these consolidated financial statements. In particular, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves regarding whether Mr. Man had the right to require Chance Lead to transfer 46.14% equity interests in Beihai Perfuming Garden to him pursuant to the Arrangements. If Mr. Man did have such right, the existence of the potential voting right might cause Beihai Perfuming Garden and its subsidiaries to be controlled by Mr. Man rather than by the Company and hence in such circumstances, Beihai Perfuming Garden and its subsidiaries should not be included in the consolidated financial statements of the Group as they would then not be subsidiaries of the Company. However, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether Beihai Perfuming Garden and its subsidiaries were subsidiaries of the Company during the financial years ended 30 June 2018 and 2017. Hence, we were unable to satisfy ourselves about the validity and appropriateness of treating Beihai Perfuming Garden and its subsidiaries as subsidiaries of the Company until the effective date of the deconsolidation and conversely, of deconsolidating Beihai Perfuming Garden and its subsidiaries with effect from 1 July 2015. Any adjustments found to be required may have consequential significant effects on the elements in the consolidated financial statements for the year ended 30 June 2018 and the comparative figures for the preceding financial year and hence on the net liabilities of the Group as at 30 June 2018 and 2017 and the loss and other comprehensive income and cash flows of the Group for the years ended 30 June 2018 and 2017.

b) Opening balances and comparative information

The opening balances as at 1 July 2017 and comparative information as at and for the year ended 30 June 2017 presented or disclosed in the consolidated financial statements are based on the consolidated financial statements of the Group for the year ended 30 June 2017 in respect of which we expressed a disclaimer of opinion in our auditors' report dated 12 July 2018. The matters which led us to disclaim our opinion include those explained in paragraphs (a) to (n) herein and in sub-paragraphs (i) to (xi) below concerning the carrying amounts of certain assets and liabilities which were derecognised upon deconsolidation of the Deconsolidated Subsidiaries as at 1 July 2015 and which affected the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016. Therefore, the opening balances and comparative information presented or disclosed in the consolidated financial statements may not be comparable with the figures presented or disclosed in respect of the current year.

(i) Property, plant and equipment, land use rights and construction-in-progress

The gross carrying amounts of the property, plant and equipment, land use rights and construction-in-progress (collectively, the "**Tangible Assets**") as at 1 July 2015 of approximately RMB3,189,770,000, RMB87,870,000 and RMB49,430,000 respectively were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the derecognition of the gross and net carrying amounts of the Tangible Assets as at 1 July 2015; (ii) the validity of ownership of the Tangible Assets under the Deconsolidated Subsidiaries as at 1 July 2015; (iii) the validity of the gross and net carrying amounts of the Tangible Assets as at 1 July 2015 which were brought forward from previous years, including the components of the Tangible Assets, the validity of the commercial terms arrived at in acquiring the Tangible Assets, and whether the vendors of the Tangible Assets were related to related parties of the Group in accordance with International Accounting Standards ("**IAS**") 24 "Related Party Disclosures"; and (iv) the basis for the determination that the net carrying amounts of the property, plant and equipment, land use rights and construction-in-progress of approximately RMB2,250,979,000, RMB74,625,000 and RMB49,430,000 respectively as at 1 July 2015 were recoverable. Therefore, we were unable to satisfy ourselves as to whether the gross and net carrying amounts of the Tangible Assets and nil impairment loss on the Tangible Assets as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(ii) Biological assets

The carrying amounts of the biological assets as at 1 July 2015 of approximately RMB1,596,782,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the derecognition of the biological assets as at 1 July 2015; (ii) the validity of ownership as at 1 July 2015 of the biological assets, which were all held by the Deconsolidated Subsidiaries; (iii) the validity of the carrying amounts of the biological assets at 1 July 2015 which were brought forward from previous years, including in respect of biological assets acquired in previous years, the validity of the commercial terms arrived at in acquiring the biological assets and whether the vendors or suppliers of the biological assets were related to related parties of the Group in accordance with IAS 24; (iv) the validity, the basis of determination and recording accuracy of the fair value measurements as at 1 July 2015 of the biological assets carried at fair value and the reasonableness of supporting bases for the key inputs and assumptions used in the fair value measurements as at 1 July 2015; and (v) the basis for the determination that the carrying amounts of those biological assets carried on cost basis were recoverable as at 1 July 2015. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the biological assets as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(iii) Intangible assets

The gross and net carrying amounts of the intangible assets for capitalised development costs as at 1 July 2015 of approximately RMB115,926,000 and RMB51,091,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of derecognition of the gross and net carrying amounts of the intangible assets as at 1 July 2015; (ii) the validity of the gross carrying amounts of the intangible assets which were brought forward from previous years, including the components of the intangible assets, the validity of the commercial terms arrived at in acquiring the intangible assets or the development costs paid or incurred which arose from the year ended 30 June 2006 and the years thereafter, and the reasonableness and recording accuracy on initial recognition of the capitalised development costs, including whether the capitalisations were in compliance with IAS 38 "Intangible Assets", and whether the vendors or counter parties of the intangible assets were related to related parties of the Group in accordance with IAS 24; (iii) the basis of conducting impairment assessment by the management of the Group and the reasonableness of and supporting bases for the key inputs and assumptions used in the impairment assessment as at 1 July 2015; and (iv) the basis for the determination that the net carrying amounts of the intangible assets of approximately RMB51,091,000 as at 1 July 2015 was recoverable. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the intangible assets and nil impairment loss on the intangible assets as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(iv) Goodwill

Included in the consolidated statements of financial position of the previous years were goodwill relating to the acquisition of BPG Food and Beverage Holdings Ltd., the intermediate holding company of Beihai Perfuming Garden and details of the acquisition were set out in the Company's circular dated 1 November 2010. The gross and net carrying amount of the goodwill as at 1 July 2015 of approximately RMB1,157,261,000 and RMBNil were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the derecognition of the goodwill and accumulated impairment as at 1 July 2015; (ii) the validity of the gross carrying amount of the goodwill as at 1 July 2015 which were brought forward from previous years, including the validity of (a) the recognition of the goodwill in accordance with IFRS 3 "Business Combination", in view of the alleged existence of the Arrangements; and (b) the commercial terms arrived at in the business combination which led to the recognition of the goodwill and whether the vendors in the business combination in which the goodwill was recognised were related to related parties of the Group in accordance with IAS 24; and (iii) the basis of the determination that the recoverable amount of the goodwill was nil as at 1 July 2015.

Therefore, we were unable to satisfy ourselves as to whether the carrying amount of the goodwill as at 1 July 2015 was free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(v) Deposits

The carrying amount of the deposits as at 1 July 2015 of approximately RMB11,012,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of derecognition of the deposits as at 1 July 2015; (ii) the validity of the carrying amount of the deposits as at 1 July 2015 which was brought forward from previous years, including the nature of the deposits, the validity of the commercial terms arrived at under the deposits and whether the counter parties of the deposits were related to related parties of the Group in accordance with IAS 24; and (iii) the basis for the determination that the carrying amount of the deposits of approximately RMB11,012,000 as at 1 July 2015 was recoverable as no documentation on impairment assessment on the deposits as at 1 July 2015 was made available to us. Therefore, we were unable to satisfy ourselves as to whether the carrying amount of the deposits as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(vi) Properties for sale

The gross carrying amount and net carrying amount of the properties for sale as at 1 July 2015 of approximately RMB5,830,000 and RMBNil respectively were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of derecognition of the gross and net carrying amounts of the properties for sale as at 1 July 2015; (ii) the validity of the gross carrying amount of the properties for sale which were brought forward from previous years, including the validity of (a) the recognition of the properties for sale in accordance with applicable IFRSs; and (b) the commercial terms arrived at under the properties for sale and whether the counterparties involved were related to related parties of the Group in accordance with IAS 24; and (iii) the basis for the determination that the recoverable amount of the properties for sale was nil as at 1 July 2015. Therefore, we were unable to satisfy ourselves as to whether the carrying amount of on the properties for sale as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(vii) Inventories

The gross and net carrying amounts of the inventories as at 1 July 2015 of approximately RMB106,033,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the derecognition of the inventories as at 1 July 2015; (ii) the validity of the gross and net carrying amounts of the inventories as at 1 July 2015 which were brought forward from previous years, including the components of the inventories and the validity of the commercial terms arrived at in acquiring the inventories and whether the vendors of the inventories were related to related parties of the Group in accordance with IAS 24; (iii) the basis for the determination that the carrying amounts of the inventories of approximately RMB106,033,000 as at 1 July 2015 was recoverable as no documentation on impairment assessment of inventories as at 1 July 2015 was made available to us. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the inventories as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(viii) Trade and other receivables

The gross and net carrying amounts of the trade and other receivables as at 1 July 2015 of approximately RMB194,535,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the derecognition of the gross and net carrying amounts of the trade and other receivables as at 1 July 2015; (ii) the validity of the gross and net carrying amounts of the trade and other receivables which were brought forward from previous years, including the nature of the trade and other receivables, the validity of the commercial terms arrived at under the trade and other receivables, the identity of the debtors and whether the debtors were related to related parties of the Group in accordance with IAS 24; and (iii) the basis for the determination that the carrying amount of the trade and other receivables of approximately RMB194,535,000 as at 1 July 2015 was recoverable as no documentation on impairment assessment on the trade and other receivables as at 1 July 2015 was made available to us. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the trade and other receivables and nil impairment loss on the trade and other receivables as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(ix) Cash and cash equivalents

The carrying amounts of the cash and cash equivalents as at 1 July 2015 of approximately RMB864,883,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of derecognition of the cash and cash equivalents as at 1 July 2015; and (ii) the completeness, existence and recording accuracy of the balances and the transactions of the cash and cash equivalents as at 1 July 2015. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts and the transactions of the cash and cash equivalents as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(x) Trade and other payables

The gross and net carrying amounts of the trade and other payables as at 1 July 2015 of approximately RMB136,310,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the derecognition of the trade and other payables as at 1 July 2015; (ii) the validity of the carrying amounts of the trade and other payables which were brought forward from previous years, including the nature of the trade and other payables, the validity of the commercial terms arrived at under the trade and other payables, the identity of the creditors and whether the creditors were related to related parties of the Group in accordance with IAS 24; and (iii) the completeness and recording accuracy of the balances and the transactions incurred under the trade and other payables as at 1 July 2015. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts and the transactions of the trade and other payables as at 1 July 2015 were free from material misstatements and hence whether the amount recognised as loss arising from the Incidents in the financial year ended 30 June 2016 was also free from material misstatements.

(xi) Statutory reserve

The carrying amount of the statutory reserve as at 1 July 2015 of approximately RMB136,625,000 were derecognised upon deconsolidation of the Deconsolidated Subsidiaries. Due to lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the movement of the statutory reserve for the year ended 30 June 2016 and whether it was in compliance with the relevant laws and regulations; (ii) the basis of determining the amount for the movement in the statutory reserve; and (iii) the validity and correctness of the carrying amounts of the statutory reserve as at 1 July 2015. Therefore, we were unable to satisfy ourselves as to whether the carrying amount of the statutory reserve as at 1 July 2015 and the movement of the statutory reserve for the year ended 30 June 2016 respectively were free from material misstatements.

Furthermore, the closing balances as at 30 June 2017 and 2016 of the assets and liabilities of the Group entered into the determination of the financial performance of the Group for the current financial year ended 30 June 2018 and have carryforward effects on the closing balances of the assets and liabilities of the Group as at 30 June 2018. Any adjustments found to be necessary to the closing balances as at 30 June 2017 and 2016 in respect of the matters described in paragraphs (a) to (n) herein may significantly affect the balance of reserves of the Group as at 1 July 2017, the Group's results and cash flows for the years ended 30 June 2018 and 2017 and the closing balances of assets and liabilities as at 30 June 2018 and 2017 and related disclosures in the notes to the consolidated financial statements of the Group for the years ended 30 June 2018 and 2017 and hence would have consequential effects on the loss and other comprehensive income and cash flows of the Group for the years ended 30 June 2018 and 2017 and the net liabilities of the Group as at 30 June 2018 and 2017.

c) Compliance with IFRSs and applicable laws and regulations

As disclosed in note 2 to the consolidated financial statements, the consolidated financial statements of the Group have been prepared by the directors of the Company under the circumstances of limited financial information concerning the books and records of the Deconsolidated Subsidiaries and the lack of response from management of the Deconsolidated Subsidiaries to the requests for information and explanations concerning the books and records of the Deconsolidated Subsidiaries. The Board believed it was not practicable to ascertain the correct amounts and balances of the Deconsolidated Subsidiaries for inclusion in the consolidated financial statements.

As disclosed in note 2 to the consolidated financial statements, Mr. Man requested Chance Lead to transfer 46.14% equity interests in Beihai Perfuming Garden to him pursuant to the Arrangements. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the Arrangements, which allegedly had been in existence since February 2010, including the validity of the commercial terms arrived at under the Arrangements and whether Mr. Man and the previous shareholders of Beihai Perfuming Garden were related to related parties of the Group in accordance with IAS 24 or connected parties as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Listing Rules**"). In addition, the Company was made aware of a PRC court order requiring Tianyang Perfuming Garden to repay a loan of RMB17 million and the interests in arrears pursuant to a loan facility agreement dated 1 June 2016 entered into with a person called Xue Zhen. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the validity of the loan facility agreement, including the validity of the commercial terms arrived at under the loan facility agreement, and whether the lender Xue Zhen was related to related parties of the Group as defined under IAS 24 or connected parties as defined under the Hong Kong Listing Rules.

The matters described above also caused the Board to believe it was unable to assert that the consolidated financial statements complied with IFRSs, or that the disclosure requirements of the Hong Kong Companies Ordinance and the Hong Kong Listing Rules had been complied with. Accordingly, the notes to the consolidated financial statements do not contain the statement of compliance with IFRSs and these disclosure requirements. This constitutes a non-compliance with the relevant disclosure requirements to state such compliance in the consolidated financial statements.

Further, due to the lack of access to complete books and records and management personnel of the Deconsolidated Subsidiaries made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether there was non-compliance with applicable laws and regulations by the Deconsolidated Subsidiaries and hence about the completeness of any actual or contingent liabilities in the consolidated financial statements. There were no practicable alternative procedures that we could perform to satisfy ourselves as to whether there existed unrecorded provisions or undisclosed contingent liabilities and hence whether there were material misstatements of the consolidated financial statements due to non-compliance with laws and regulations. Any adjustments found to be necessary may have a consequential significant effect on the net liabilities of the Group as at 30 June 2018 and 2017 and of the loss and other comprehensive income and cash flows of the Group for the years then ended and the related disclosures thereof in the consolidated financial statements.

d) Re-consolidation of a deconsolidated subsidiary

As disclosed in note 28 to the consolidated financial statements and in the Company's announcement dated 31 October 2017, the Group resumed the control over Lucky Team Hepu on 28 September 2017 (the "**Resumed Date**"). Due to the lack of access to complete books and records of Lucky Team Hepu for periods up to the Resumed Date, the Group had to undertake efforts to reconstruct the books and records of Lucky Team Hepu. As at the date of this report, the reconstruction of the books and records could not be completed, hence the Board considered that the Group still did not have the necessary information about the transactions and account balances of Lucky Team Hepu for inclusion in the consolidated financial statements of the Group for all periods prior to the Resumed Date. Instead, the financial statements of Lucky Team Hepu would be included in the consolidated financial statements of the Group only with effect from the Resumed Date. On the Resumed Date, the Group recorded (i) property, plant and equipment of approximately RMB102,675,000 including bearer plants of approximately RMB52,950,000; (ii) amount due from the Company (which was eliminated on consolidation) of approximately RMB31,072,000; (iii) cash and bank balances of approximately RMB4,109,000; (iv) amount due to the Agriculture Company of approximately RMB4,574,000; and (v) amounts due to the Deconsolidated Subsidiaries of approximately RMB365,000,000 (collectively, the "**Assets and Liabilities**").

Due to the circumstances of the lack of access to complete books and records of Lucky Team Hepu for periods up to the Resumed Date and the inability to complete the work to reconstruct the books and records, the Board is unable to ascertain the completeness and recording accuracy of the Assets and Liabilities as at the Resumed Date. Furthermore, the balances of the Assets and Liabilities recognised by the Group on the Resumed Date entered into the determination of the financial performance of the Group for the year ended 30 June 2018 and have carryforward effects on the closing balances of the assets and liabilities of the Group as at 30 June 2018. We have been unable to carry out alternative audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity, accuracy and completeness of the carrying amounts of the Assets and Liabilities at the Resumed Date which were recognised by the Group in the consolidated financial statements as disclosed in note 28 to the consolidated financial statements and the carryforward effects on the closing balances of the assets and liabilities of the Group as at 30 June 2018; (ii) whether the suppliers and counterparties in relation to the Assets and Liabilities were related to related parties of the Group in accordance with IAS 24; (iii) the effects of the transactions of Lucky Team Hepu that occurred between 1 July 2015 to the Resumed Date on the Assets and Liabilities of Lucky Team Hepu, including how the amount due to the Deconsolidated Subsidiaries became approximately RMB365,000,000 as at the Resumed Date; and (iv) the validity and recording accuracy of the net liabilities resumed, represented by the net carrying amount of the Assets and Liabilities, of approximately RMB231,718,000 which was recognised as an expense in the consolidated statement of profit or loss of the Group for the financial year ended 30 June 2018. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts of the Assets and Liabilities recognised on the Resumed Date and as at 30 June 2018 and the financial performance of Lucky Team Hepu included in consolidated profit or loss of the Group were free from material misstatements.

Further, as explained in paragraph (a) above, the Company should have consolidated the Deconsolidated Subsidiaries including Lucky Team Hepu, except possibly for Beihai Perfuming Garden and its subsidiaries, in its consolidated financial statements for the years ended 30 June 2017 and 2016. Had Lucky Team Hepu been consolidated, the resumption of control over Lucky Team Hepu on 28 September 2017 would not have been recorded and presented in note 28 as an acquisition on the Resumed Date and the loss on resumption of control of approximately RMB231,718,000 would not have been recognised as such in the consolidated statement of profit or loss of the Group for the financial year ended 30 June 2018. However, due to the lack of access to complete books and records and management personnel of Lucky Team Hepu prior to the Resumed Date made available to us, we are unable to determine the effects of these matters.

Any adjustments found to be necessary may have a consequential significant effect on the net liabilities of the Group as at 30 June 2018 and 2017 and of the loss and other comprehensive income and cash flows of the Group for the years then ended and the related disclosures thereof in the consolidated financial statements.

e) Gain on bargain purchase in respect of acquisition of the Agriculture Company

As set out in notes 17 and 27 to the consolidated financial statements, on 3 January 2017, the Group entered into (i) a sales and purchase agreement in respect of the acquisition of Guangxi Hepu Guanhua Agriculture Co., Ltd. (廣西合浦冠華農業有限公司) (the "**Agriculture Company**") (collectively, the "**Agriculture Company Acquisition**"); and (ii) an agreement pursuant to which the vendor of the Agriculture Company Acquisition has agreed to hold the entire equity interests in the Agriculture Company for the benefit of the Group during the process of the transfer of the equity interests of the Agriculture Company. A director of the Company's subsidiary had been appointed as the chief operating officer of the Agriculture Company with effect from 3 January 2017 and all the company chops, business licenses, information on bank accounts and leasehold property agreement of the Agriculture Company have been handed over to the Company. On 18 September 2017 (the "**Acquisition Date**"), the legal process for the transfer of the equity interests of the Agriculture Company was completed. The legal title of the equity interests of the Agriculture Company changed to the Company's wholly-owned subsidiary and the legal representative of the Agriculture Company also changed to the Company's nominated representative, both of these changes were reflected on public records of the State Administration for Industry and Commerce at Beihai City and Hepu County of the PRC with effect from that date. The Group recognised a gain on bargain purchase of approximately RMB30,691,000 upon the application of the acquisition method of accounting to the Agriculture Company Acquisition on the Acquisition Date. The gain was recognised in the consolidated statement of profit or loss of the Group for the year ended 30 June 2018. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the nature and substance of the gain and hence as to whether the recognition of the gain in consolidated profit or loss as a gain on bargain purchase was appropriate. Any adjustment found to be required may have a consequential significant effect on the gain on bargain purchase recognised in consolidated profit or loss and other elements presented in the consolidated financial statements and hence on the Group's loss, changes in equity and cash flows for the year ended 30 June 2018.

f) **Amounts due to the Deconsolidated Subsidiaries**

As disclosed in note 24 of the consolidated financial statements, the Group recorded amounts due to the Deconsolidated Subsidiaries of approximately RMB571,442,000 and RMB237,514,000 as at 30 June 2018 and 2017. As further disclosed in note 2 to the consolidated financial statements, the directors of the Company have been unable to gain access to complete books and records of the Deconsolidated Subsidiaries and have been unable to obtain information and explanations from the management of the Deconsolidated Subsidiaries on matters concerning the books and records of the Deconsolidated Subsidiaries. Due to these factors, we have not been able to obtain sufficient appropriate audit evidence to determine the validity and completeness of the amounts due to the Deconsolidated Subsidiaries as at 30 June 2018 and 2017 and whether there were unrecorded transactions entered into with the Deconsolidated Subsidiaries during the years ended 30 June 2018 and 2017 which had not been accounted for in accordance with the requirements of applicable IFRSs and which had not been disclosed or transacted in compliance with the Hong Kong Listing Rules. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts due to the Deconsolidated Subsidiaries were free from material misstatements. Any adjustments found to be required may have consequential significant effects on the balances of the amounts due to the Deconsolidated Subsidiaries, the recorded amounts and description of the relevant transactions with the Deconsolidated Subsidiaries as at and for the years ended 30 June 2018 and 2017 and other elements in the consolidated financial statements for the years ended 30 June 2018 and 2017 and hence on the net liabilities of the Group as at 30 June 2018 and 2017 and loss and other comprehensive income and cash flows of the Group for the years then ended and the related disclosures thereof in the consolidated financial statements.

g) **Amounts due from the Deconsolidated Subsidiaries**

As disclosed in notes 2 and 10 to the consolidated financial statements, an impairment loss for the amount due from the Deconsolidated Subsidiaries of approximately RMB1,250,898,000 was provided in the consolidated financial statements during the year ended 30 June 2016. The directors of the Company have been unable to gain access to complete books and records of the Deconsolidated Subsidiaries and have been unable to obtain information and explanations from management of the Deconsolidated Subsidiaries on matters concerning the books and records of the Deconsolidated Subsidiaries. Given these circumstances, the directors of the Company considered that the Group does not possess relevant information about the Deconsolidated Subsidiaries' financial position and financial ability to repay for the purpose of impairment assessments of the receivable balances to be carried out and the recoverability of the outstanding balances as at 30 June 2016 to be assessed. Accordingly, the directors of the Company have recognised the impairment loss in the year ended 30 June 2016 to fully write down the amounts due from the Deconsolidated Subsidiaries as no settlement was recorded up to the date of approval of the consolidated financial statements for the year ended 30 June 2016.

Due to the circumstances as described herein, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves about the validity and completeness of the gross carrying amount of the amounts due from the Deconsolidated Subsidiaries of approximately RMB1,250,898,000 as at 30 June 2018 and 2017 and whether there were unrecorded transactions entered into with the Deconsolidated Subsidiaries during the years ended 30 June 2018 and 2017 which were not accounted for in accordance with IFRSs or disclosed or otherwise treated in compliance with the applicable Hong Kong Listing Rules. In addition, as impairment assessment on the balances owed by the Deconsolidated Subsidiaries as at the end of the reporting periods could not practicably be carried out by management of the Group under these circumstances, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the recoverable amounts of the balances due from the Deconsolidated Subsidiaries were nil as at 30 June 2018 and 2017 and 1 July 2016 and that the impairment loss recognised in respect of the amounts due from the Deconsolidated Subsidiaries was properly assessed in accordance with the requirements of IAS 39 "Financial Instruments: Recognition and Measurement". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the amounts due from the Deconsolidated Subsidiaries as at 30 June 2018 and 2017 and the nil impairment loss recognised in respect of these amounts due from the Deconsolidated Subsidiaries for the years then ended were free from material misstatements and whether there were unrecorded transactions entered into with the Deconsolidated Subsidiaries for the years ended 30 June 2018 and 2017. Any adjustments found to be required may have consequential significant effects on the balances of the amounts due from the Deconsolidated Subsidiaries and the impairment loss in respect thereof, the recorded amounts and description of the relevant transactions entered into with the Deconsolidated Subsidiaries for the years ended 30 June 2018 and 2017 and other elements in the consolidated financial statements for the years ended 30 June 2018 and 2017 and hence on the net liabilities of the Group as at 30 June 2018 and 2017 and the loss and other comprehensive income and cash flows of the Group for the years then ended, and the related disclosures thereof in the consolidated financial statements.

h) Interests in subsidiaries and amount due to the Deconsolidated Subsidiaries

Included in the statement of financial position of the Company as disclosed in note 29 to the consolidated financial statements were (i) investment in subsidiaries of gross carrying amount of approximately RMB4,064,410,000 and RMB4,064,410,000 at 30 June 2018 and 2017 respectively; (ii) accumulated impairments of interests in subsidiaries of approximately RMB4,063,410,000 and RMB4,063,410,000 at 30 June 2018 and 2017 respectively; and (iii) amount due to the Deconsolidated Subsidiaries of approximately RMB31,072,000 as at 30 June 2018 and 2017. Impairment losses in respect of the interests in subsidiaries of approximately RMBNil and RMB14,037,000 were recognised by the Company for the years ended 30 June 2018 and 2017 respectively.

As disclosed in note 29 to the consolidated financial statements, the cost of investment in subsidiaries of the Company as at 30 June 2018 represented the investment cost in the equity interests in wholly owned subsidiaries directly held by the Company. These subsidiaries are investment holding companies and the investment costs were utilised by them, to a large extent, as investment costs in and loans and advances to the Deconsolidated Subsidiaries. As disclosed in note 2 to the consolidated financial statements, the directors of the Company have been unable to gain access to complete books and records of the Deconsolidated Subsidiaries and have been unable to obtain information and explanations from management of the Deconsolidated Subsidiaries on matters concerning the books and records of the Deconsolidated Subsidiaries. Given these circumstances, the directors of the Company considered that the Group does not possess relevant information about the Deconsolidated Subsidiaries' financial position and financial ability to repay to enable impairment assessments of the Company's investment cost in its subsidiaries to be carried out. Accordingly, the directors of the Company have recognised impairment loss to fully write down the investment cost in subsidiaries as at 30 June 2018 and 2017.

Due to the circumstances as described herein, we were unable to perform audit procedures to obtain sufficient appropriate audit evidence to satisfy ourselves about the validity and completeness of the investment costs in subsidiaries as at 30 June 2018 and 2017. In addition, as no documentation on impairment assessment of the interests in subsidiaries as at 30 June 2018 and 2017 was made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves that the recoverable amounts of the interests in subsidiaries were properly assessed as at 30 June 2018 and 2017. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the interests in subsidiaries as at 30 June 2018 and 2017, and the impairment loss recognised in respect of these interests in subsidiaries were free from material misstatements. Any adjustments found to be required may have consequential significant effects on the interests in subsidiaries and the impairment loss in respect thereof as at 30 June 2018 and 2017 and hence on the net liabilities of the Company as at 30 June 2018 and 2017 and related disclosures thereof in the consolidated financial statements.

i) Share premium

As disclosed in the consolidated statement of change in equity for the year ended 30 June 2017, the Group recorded share premium of approximately RMB3,698,234,000 as at 30 June 2017 and 1 July 2016. However, as disclosed in note 22(a) of the consolidated financial statements, the Company recorded share premium of approximately RMB3,711,195,000 as at 30 June 2017 and 1 July 2016. The difference between the balances of the share premium accounts of the Group and the Company was due to amounts of approximately RMB12,961,000 in relation to costs incurred during the initial public offering ("**IPO**") of the Company which were borne by certain subsidiaries of the Company and not recharged to the Company. During the year ended 30 June 2018, the Group eliminated the difference between the recorded balances of the share premium accounts of the Group and the Company by charging the amount of approximately RMB12,961,000 directly against accumulated losses of the Group attributable to the relevant subsidiaries. We have not been able to obtain sufficient appropriate audit evidence to support the validity and recording accuracy of the amount of approximately RMB12,961,000 previously charged directly to the Group's share premium account, including the nature of these IPO costs and whether they qualified as IPO expenses that could be treated as deductions from the share premium account of the Group rather than as expenses in profit or loss in previous years. Hence, we were unable to determine whether (i) the different balances in the share premium accounts of the Group and of the Company as at 30 June 2017 and 1 July 2016 and (ii) the reserve movement during the year ended 30 June 2018 of approximately RMB12,961,000 of the IPO costs to accumulated losses of the Group attributable to relevant subsidiaries were free from material misstatements. Any adjustments found to be required may have consequential significant effects on the balance of the share premium of the Group as at 30 June 2017 and other elements in the consolidated financial statements for the years ended 30 June 2018 and 2017.

j) Share options reserve

Included in the consolidated statement of change in equity of the Group for the year ended 30 June 2018 were share options reserve with carrying amount of approximately RMB65,488,000 as at 30 June 2018 (2017: RMB87,540,000). During the year ended 30 June 2018, the Group transferred an amount of approximately RMB20,841,000 (2017: RMBNil) and RMB1,211,000 (2017: RMB713,000) from share options reserve to accumulated loss for share options lapsed and share options cancelled respectively. As disclosed in note 2 to the consolidated financial statements, the directors of the Company have been unable to obtain information and explanations from management of the Deconsolidated Subsidiaries on matters concerning the books and records of the Deconsolidated Subsidiaries, including the identity and relationship with the Group of the grantees and whether they were employees of the Group up to the end of the reporting periods. Given these circumstances, the directors of the Company were unable to identify the identities of the grantees and confirm the validity and related amounts recognised in the consolidated financial statements in respect of these share options. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to (i) the validity of the identities of the grantees and recording accuracy of the number of share options outstanding at 30 June 2018 and 2017 and 1 July 2016; (ii) the validity and accuracy of the movements of the share options reserve in respect of the share options lapsed or cancelled during the years ended 30 June 2018 and 2017; and (iii) the basis of determining the amounts of the movements in the share options reserve in respect of share options lapsed and share options cancelled of approximately RMB20,841,000 and RMB1,211,000 respectively during the year ended 30 June 2018 and of RMBNil and RMBNil respectively during the year ended 30 June 2017. Therefore, we were unable to satisfy ourselves as to whether the carrying amounts and movements of the share options reserve of the Group as at and for the years ended 30 June 2018 and 2017 were free from material misstatements. Any adjustments found to be necessary to the carrying amounts or movements may have a consequential significant effect on the loss and other comprehensive income and cash flows of the Group for the years ended 30 June 2018 and 2017, balance of the share options reserve as at 30 June 2018 and 2017 and other elements in the Group's consolidated financial statements for the years ended 30 June 2018 and 2017.

k) Contingent liabilities and commitments

As explained in paragraph (a) above, the Company should have consolidated the Deconsolidated Subsidiaries, except possibly for Beihai Perfuming Garden and its subsidiaries, in its consolidated financial statements for the years ended 30 June 2018 and 2017. Had these subsidiaries been consolidated, the contingent liabilities of the Deconsolidated Subsidiaries and commitments of the Group as disclosed in notes 10(b) and 25 respectively to the consolidated financial statements which related to the Deconsolidated Subsidiaries should include the contingent liabilities and commitments of these subsidiaries. Further, the contingent liabilities and commitments of these subsidiaries may affect or involve the entities included in the consolidated financial statements. Due to the lack of access to complete books and records of the Deconsolidated Subsidiaries made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness of the contingent liabilities of the Deconsolidated Subsidiaries and commitments of the Group as disclosed in notes 10(b) and 25 respectively to the consolidated financial statements which related to the Deconsolidated Subsidiaries. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether there existed other material amounts of contingent liabilities and commitments of the Deconsolidated Subsidiaries as at 30 June 2018 and 2017. Any undisclosed material amounts of contingent liabilities and commitments related to the Deconsolidated Subsidiaries found to be in existence may have consequential significant effects on the fair presentation of the net liabilities of the Group as at 30 June 2018 and 2017 and the loss and other comprehensive income and cash flows of the Group for the years then ended and the related disclosures thereof in the consolidated financial statements.

l) Events after the reporting period

As explained in paragraph (a) above, the Company should have consolidated the Deconsolidated Subsidiaries, except possibly for Beihai Perfuming Garden and its subsidiaries, in its consolidated financial statements for the year ended 30 June 2018. Had these subsidiaries been consolidated, the events after the reporting period of the Group as disclosed in note 30 to the consolidated financial statements should include the events and transactions after the reporting period of these subsidiaries. Further, the events and transactions after the reporting period of these subsidiaries may affect or involve the entities included in the consolidated financial statements.

Due to the lack of access to complete books and records of the Deconsolidated Subsidiaries, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to the completeness of the events and transactions after the reporting period of the Group as disclosed in note 30 to the consolidated financial statements. There were no practicable alternative procedures that we could perform to satisfy ourselves as to whether there had occurred significant events or transactions during the period from 1 July 2018 to the date of this auditors' report which require disclosure in or adjustments to the consolidated financial statements. Any undisclosed or unadjusted events or transactions related to the Deconsolidated Subsidiaries found to have occurred during this intervening period may have consequential significant effects on the balances presented for the elements in the consolidated financial statements for the years ended 30 June 2018 and 2017 and hence on the net liabilities of the Group as at 30 June 2018 and 2017 and the loss and other comprehensive income and cash flows of the Group for the years then ended or on the fair presentation of these net liabilities, loss and other comprehensive income and cash flows and the related disclosures in the consolidated financial statements.

m) Related party transactions

As explained in paragraph (a) above, the Company should have consolidated the Deconsolidated Subsidiaries, except possibly for Beihai Perfuming Garden and its subsidiaries, in its consolidated financial statements for the years ended 30 June 2018 and 2017. Had these subsidiaries been consolidated, the related party transactions and balances as disclosed in note 26 to the consolidated financial statements should include the transactions and balances of these subsidiaries with related parties of the Group. Further, the related party transactions and balances of these subsidiaries may affect or involve the entities included in the consolidated financial statements. Due to the lack of access to complete books and records of the Deconsolidated Subsidiaries made available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether there were material related party transactions and balances of the Deconsolidated Subsidiaries and hence about the completeness of the related party transactions and balances as disclosed in the consolidated financial statements. There were no practicable alternative procedures that we could perform to satisfy ourselves as to whether there existed material related party transactions and balances of the Deconsolidated Subsidiaries which require disclosure in the consolidated financial statements. Any undisclosed transactions or balances related to the Deconsolidated Subsidiaries found to have occurred or existed may have consequential significant effects on the fair presentation of the net liabilities of the Group as at 30 June 2018 and 2017 and the loss and other comprehensive income and cash flows of the Group for the years then ended and the related disclosures thereof in the consolidated financial statements.

n) Going concern basis of accounting

As disclosed in note 2 to the consolidated financial statements, (i) the Group incurred a loss attributable to the owners of the Company of approximately RMB221,792,000 for the year ended 30 June 2018 and, as of that date, the Group's total liabilities exceeded its total assets by approximately RMB433,256,000; and (ii) the Company's shares have been suspended from trading on The Stock Exchange of Hong Kong Limited with effect from 29 September 2016. The directors of the Company were also unable to represent that all present and contingent liabilities of the Group have been completely identified. Any adjustments found to be necessary to the Group's results for the year ended 30 June 2018 and closing balances of its assets and liabilities as at 30 June 2018 of the matters described in the paragraphs above may cause the operating results, liquidity position and financial position of the Group as presented in the consolidated financial statements for the year ended 30 June 2018 to be adversely affected. These conditions indicate the existence of material uncertainties which may cast significant doubts about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to successfully operate of the Group's future business and generate adequate cash flows. As of the date of this report, we have not obtained the Group's cash flow forecast, including related detailed reasonable and supportable bases for the underlying data and assumptions, which are necessary for us to assess the appropriateness of the use of the going concern assumption in the preparation of the consolidated financial statements. Because of the significance of these matters, we were unable to satisfy ourselves as to whether the use of going concern assumption in the preparation of the consolidated financial statements was appropriate. Should the Group be unable to continue as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively.

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

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the International Accounting Standards Board 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 consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and to issue an auditors' report. This report is made solely to you, as a body, in accordance with section 90 of Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. 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.

REPORT ON OTHER MATTERS UNDER SECTIONS 407(2) AND 407(3) OF THE HONG KONG COMPANIES ORDINANCE

In respect alone of the inability to obtain sufficient appropriate audit evidence regarding the items stated under Basis for Disclaimer of Opinion for the year ended 30 June 2018,

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper books of account had been kept for the year ended 30 June 2018.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 28 September 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 June 2018

	Note	2018 RMB'000	2017 RMB'000
Revenue	8	54,249	–
Other income	9	3,454	1,648
Cost of inventories used		(53,628)	–
Depreciation		(11,884)	(1,751)
Staff costs		(12,849)	(9,804)
Gain on bargain purchase	27	30,691	–
Loss arising on re-consolidation of a deconsolidated subsidiary	28	(231,718)	–
Gain arising from changes in fair value of biological assets less costs to sell		32,320	–
Distribution and other operating expenses		(5,234)	(1,183)
General and administrative expenses		(27,193)	(17,376)
Loss before tax	11	(221,792)	(28,466)
Income tax expense	12	–	–
Loss for the year attributable to owners of the Company		(221,792)	(28,466)
		RMB	RMB
Loss per share	15		
– Basic and diluted		(0.177)	(0.023)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	2018 *RMB'000*	2017 *RMB'000*
Loss for the year	**(221,792)**	(28,466)
Other comprehensive income for the year		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of foreign operations, net of tax	**2,505**	966
Total comprehensive loss for the year attributable to owners of the Company	**(219,287)**	(27,500)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 30 June 2018

	Note	2018 RMB'000	2017 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	96,822	4,799
Prepayment for acquisition of a subsidiary	17	–	1,000
		96,822	5,799
Current assets			
Biological assets	18	6,595	–
Inventories	19	3,609	2,443
Trade and other receivables	20	5,204	2,862
Cash and cash equivalents	21	54,743	16,545
		70,151	21,850
Total assets		166,973	27,649
EQUITY AND LIABILITIES			
Equity			
Share capital	22(b)	12,340	12,340
Reserves		(445,596)	(226,309)
Capital deficiency		(433,256)	(213,969)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As 30 June 2018

	Note	2018 *RMB'000*	2017 *RMB'000*
LIABILITIES			
Current liability			
Trade and other payables	24	**600,229**	241,618
Total liabilities		**600,229**	241,618
Total liabilities, net of capital deficiency		**166,973**	27,649
Net current liabilities		**(530,078)**	(219,768)
Total assets less current liabilities		**(433,256)**	(213,969)

The consolidated financial statements on pages 73 to 134 were approved and authorised to issue by the Board of Directors on 28 September 2018 and are signed on its behalf by:

Mr. Ng Ong Nee
Director

Mr. Ng Hoi Yue
Director

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2018

	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium *RMB'000* Note (a)	Merger reserve *RMB'000* Note (b)	Share option reserve *RMB'000* Note (c)	Statutory reserve *RMB'000* Note (d)	Exchange reserve *RMB'000* Note (e)	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 July 2017	12,340	3,698,234	(4,473)	87,540	–	(1,518)	(4,006,092)	(213,969)
Loss for the year	–	–	–	–	–	–	(221,792)	(221,792)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	2,505	–	2,505
Total comprehensive loss for the year	–	–	–	–	–	2,505	(221,792)	(219,287)
Transfer of share premium (Note (f))	–	12,961	–	–	–	–	(12,961)	–
Share options lapsed	–	–	–	(20,841)	–	–	20,841	–
Share options cancelled	–	–	–	(1,211)	–	–	1,211	–
	–	12,961	–	(22,052)	–	2,505	(212,701)	(219,287)
At 30 June 2018	12,340	3,711,195	(4,473)	65,488	–	987	(4,218,793)	(433,256)

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2018

	Attributable to owners of the Company							
	Share capital RMB'000	Share premium RMB'000 Note (a)	Merger reserve RMB'000 Note (b)	Share option reserve RMB'000 Note (c)	Statutory reserve RMB'000 Note (d)	Exchange reserve RMB'000 Note (e)	Accumulated losses RMB'000	Total RMB'000
At 1 July 2016	12,340	3,698,234	(4,473)	88,253	–	(2,484)	(3,978,339)	(186,469)
Loss for the year	–	–	–	–	–	–	(28,466)	(28,466)
Other comprehensive income								
Exchange differences on translation of financial statements of foreign operations	–	–	–	–	–	966	–	966
Total comprehensive loss for the year	–	–	–	–	–	966	(28,466)	(27,500)
Share options cancelled	–	–	–	(713)	–	–	713	–
	–	–	–	(713)	–	966	(27,753)	(27,500)
At 30 June 2017	12,340	3,698,234	(4,473)	87,540	–	(1,518)	(4,006,092)	(213,969)

Notes:

a) The application of the share premium account is governed by the Companies Act of Bermuda.

b) The merger reserve represents the excess of the value of the net assets of the subsidiaries acquired over the nominal value of the share capital of the Company issued in exchange pursuant to the group reorganisation on 29 June 2005 in preparation for the admission of the Company's shares to Alternative Investment Market of the London Stock Exchange.

c) The share option reserve represents the fair value of the unexercised share options recognised in accordance with the accounting policy adopted for share-based payments in note 4(n)(ii).

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

e) The exchange reserve comprises all foreign exchange differences on translation of the financial statements of foreign operations. The reserve is dealt with in accordance with accounting policy set out in note 4(r).

f) During the year ended 30 June 2018, the Group eliminated the difference, which was related to expenses of issuing new shares of the Company during the initial public offering of the Company borne by certain subsidiaries of the Company and not recharged to the Company, between the recorded balances of the share premium accounts of the Group and the Company as at 1 July 2017 by charging the amount of approximately RMB12,961,000 directly against the Group's accumulated loss attributable to the relevant subsidiaries.

The accompanying notes form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	Note	2018 RMB'000	2017 RMB'000
Cash flows from operating activities			
Loss before tax		(221,792)	(28,466)
Adjustments for:			
Interest income	9	(77)	(106)
Depreciation of property, plant and equipment		11,884	1,751
Gain arising from changes in fair value of biological assets less costs to sell	18	(32,320)	–
Gain on bargain purchase		(30,691)	–
Loss arising on re-consolidation of a deconsolidated subsidiary		231,718	–
Loss on disposal of property, plant and equipment		2	–
Operating cash flows before movements in working capital		(41,276)	(26,821)
Decrease in biological assets		34,548	–
Decrease/(increase) in inventories		3,692	(2,470)
Increase in trade and other receivables		(2,342)	(1,324)
Increase in trade and other payables		21,561	1,689
Net cash generated from/(used in) operating activities		16,183	(28,926)
Investing activities			
Net cash inflow on acquisition of a subsidiary	27	17,158	–
Net cash inflow on re-consolidation of a deconsolidated subsidiary	28	4,109	–
Purchases of property, plant and equipment	16	(1,483)	(4,207)
Proceeds from disposals of property, plant and equipment		30	–
Prepayment paid for acquisition of a subsidiary		–	(1,000)
Interest received		77	106
Net cash generated from/(used in) investing activities		19,891	(5,101)
Net increase/(decrease) in cash and cash equivalents		36,074	(34,027)
Effect of foreign exchange rate changes		2,124	1,033
Cash and cash equivalents at beginning of the year		16,545	49,539
Cash and cash equivalents at end of the year	21	54,743	16,545

The accompanying notes form part of these consolidated financial statements.

1. GENERAL INFORMATION

Asian Citrus Holdings Limited (the "**Company**") is incorporated in Bermuda on 4 June 2003 as an exempted company with limited liability under the Companies Act of Bermuda and its shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**HKEx**").

The address of the Company's registered office is Clarendon House, 2 Church Street, Hamilton, HM11, Bermuda. The principal place of business of the Company is located at 1/F., Ching Cheong Industrial Building, 1-7 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong. Details of substantial shareholders of the Company are disclosed in the paragraph headed "Substantial shareholders' and other persons' interests and short positions in shares and underlying shares" in the section headed "Directors' Report" of the Company's annual report.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are planting, cultivation and sale of agricultural produce and manufacture and sale of fruit juice concentrates, fruit purees, frozen fruit and vegetables set out in the table below.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Group, and all values are rounded to the nearest thousand (RMB'000) except otherwise indicated.

Details of subsidiaries, including the Deconsolidated Subsidiaries (see Note 2), 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	Class of shares held	Paid up issued/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
					2018	2017	
Directly held:							
Access Fortune Investments Limited	The British Virgin Islands ("**BVI**")	Hong Kong	Ordinary	United States Dollar ("**USD**")1	100%	100%	Investment holding
A-One Success Limited	BVI	Hong Kong	Ordinary	USD1	100%	100%	Investment holding
Asian Citrus Management Company Limited	BVI	Hong Kong	Ordinary	USD1	100%	100%	Investment holding
Newasia Global Limited	BVI	Hong Kong	Ordinary	USD100,100	100%	100%	Investment holding
Raised Energy Investments Limited	BVI	Hong Kong	Ordinary	USD1	100%	100%	Investment holding
ACH Green Trees Holdings Limited	Hong Kong	Hong Kong	Ordinary	Hong Kong Dollars ("**HKD**") 10,000	100%	100%	Not commenced business yet
Golden Rain Group Limited	BVI	Hong Kong	Ordinary	USD100	100%	100%	Investment holding
Team Luck Develop Limited	Hong Kong	Hong Kong	Ordinary	HKD1	100%	100%	Investment holding

1. GENERAL INFORMATION *(continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Class of shares held	Paid up issued/ registered capital	Percentage of equity interest attributable to the Group 2018	2017	Principal activities
Indirectly held:							
Asian Citrus (H.K.) Company Limited	Hong Kong	Hong Kong	Ordinary	HKD1	100%	100%	General commercial
Chance Full (H.K.) Limited	Hong Kong	Hong Kong	Ordinary	HKD1	100%	100%	General commercial
BPG Food & Beverage Holdings Ltd.	Cayman Islands	Hong Kong	Ordinary	HKD1,000	100%	100%	Investment holding
Bright Treasure Group Holdings Limited	Hong Kong	Hong Kong	Ordinary	HKD1	100%	100%	General commercial
Chance Lead Holdings Limited	Hong Kong	Hong Kong	Ordinary	HKD1	100%	100%	Investment holding
Fame Zone Limited	BVI	Hong Kong	Ordinary	USD1	100%	100%	Investment holding
Golden City Worldwide Limited	Hong Kong	Hong Kong	Ordinary	HKD1	100%	100%	General commercial
Top Honest Holdings Limited	BVI	Hong Kong	Ordinary	USD1	100%	100%	Investment holding
Wealth Elite Investments Limited	Hong Kong	Hong Kong	Ordinary	HKD1	100%	100%	Investment holding
Beihai Perfuming Garden Juice Co., Ltd.[Δ] (北海市果香園果汁有限公司)[#]	The People's Republic of China (the "**PRC**")	PRC	Ordinary	RMB226,800,000	92.94%	92.94%	Trading of fruit juice concentrates, manufacture and sale of frozen fruit and vegetables
Beihai Super Fruit Co., Ltd. [Δ] (北海盛果商貿有限公司)[#]	PRC	PRC	Ordinary	RMB3,000,000	92.94%	92.94%	Trading of condensed fruit juice
Guangxi Hepu Guanhua Agriculture Co., Ltd.[Δ] (廣西合浦冠華農業有限公司)*	PRC	PRC	Ordinary	RMB1,000,000	100%	–	Cultivation management and sale of fruit
Guangzhou Asian Citrus Investment Consulting Co., Ltd. [Δ] (廣州市亞橋果投資諮詢有限公司)*	PRC	PRC	Ordinary	RMBNil	100%	100%	Not commenced business yet

1. GENERAL INFORMATION *(continued)*

Name of subsidiary	Place of incorporation/ registration	Place of operation	Class of shares held	Paid up issued/ registered capital	Percentage of equity interest attributable to the Group		Principal activities
					2018	2017	
Hepu Perfuming Garden Food Co., Ltd. △ (合浦果香園食品有限公司)#	PRC	PRC	Ordinary	RMB34,000,000	92.94%	92.94%	Manufacture and sale of fruit juice concentrates, fruit purees and others
Litian Biological Sciences & Technology Development (Xinfeng) Company Limited△ (利添生物科技發展(信豐)有限公司)*#	PRC	PRC	Ordinary	USD15,000,000	100%	100%	Planting, cultivation and sale of oranges
Lucky Team Biotech Development (Hepu) Limited△ (利添生物科技發展(合浦)有限公司)*@	PRC	PRC	Ordinary	RMB284,850,000	100%	100%	Planting, cultivation and sale of oranges
Lucky Team Biotech Development Yongzhou Limited△ (永州利添生物科技發展有限公司)*#	PRC	PRC	Ordinary	USD10,000,000	100%	100%	Planting, cultivation and sale of oranges
Lucky Team (Hepu) Agriculture Development Limited△ (利添良繁(合浦)農業發展有限公司)*#	PRC	PRC	Ordinary	HKD28,000,000	100%	100%	Development of nursery
Tianyang Perfuming Garden Food Industrial Co., Ltd.△ (田陽果香園食品工業有限公司)*#	PRC	PRC	Ordinary	HKD78,000,000	100%	100%	Manufacture and sale of frozen fruit and others

* Established in the PRC as wholly foreign-owned enterprise

\# These are Deconsolidated Subsidiaries which have been deconsolidated from the Group's consolidated financial statements with effect from 1 July 2015

△ For identification purposes only

@ Engaged in planting, cultivation and sales of oranges for supply to various customers. At 30 June 2018, the Group held approximately 380,000 orange trees able to produce oranges. The Group produced approximately 18,279 tonnes of oranges with a fair value less costs to sell of approximately RMB53,628,000 (that is determined at the time of harvest) during the period from the Resumed Date (as defined in Note 28) to 30 June 2018.

2. BASIS OF PREPARATION

The consolidated financial statements as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (collectively referred as to the "**Group**"). Details of the subsidiaries were set out in note 1.

During the audit process in respect of the consolidated financial statements of the Group for the year ended 30 June 2016, HLB Hodgson Impey Cheng Limited, the auditors of the Company, (the "**Auditors**") reported to the Company that it has received written correspondence which appeared to be sent by a person named Mr. Chen De Qiang* (陳德強) ("**Mr. DQ Chen**"), who is a finance manager of certain PRC subsidiaries of the Company and asserted in the correspondence that he was acting on behalf of Mr. Man Gui Fu* (滿桂富) ("**Mr. Man**"), who is (1) a minority shareholder, director and general manager of Beihai Perfuming Garden Juice Co., Ltd.* (北海市果香園果汁有限公司) ("**Beihai Perfuming Garden**"), a PRC subsidiary of the Company; and (2) holders of positions in some other PRC subsidiaries of the Company and indicated to the Auditors that certain amounts or balances in the internal records of certain customers and suppliers did not correspond to the internal records of Hepu Perfuming Garden Food Co., Ltd.* (合浦果香園食品有限公司) for the year ended 30 June 2016 ("**Mr. Chen's Allegation**"). Further details are disclosed in the Company's announcement dated 29 September 2016.

After that, at the request of a man who claimed to be Mr. Man's representative, the Auditors have arranged to meet Mr. Man in the office of the Auditors' legal adviser (the "**Meeting**"). A man who claimed to be Mr. Man attended the Meeting and asserted to the Auditors that there were inaccuracies in the books and records of certain subsidiaries of the Company and provided to the Auditors documents purporting to be copies of bank statements for the period from 1 January 2016 to 30 June 2016 of Lucky Team Biotech Development (Hepu) Limited* (利添生物科技發展(合浦)有限公司) ("**Lucky Team Hepu**"), a PRC subsidiary of the Company ("**Mr. Man's Allegation**").

In June 2017 the Company was made aware of service of proceedings from a court in the PRC whereby Mr. Man had commenced legal proceedings against Chance Lead Holdings Limited ("**Chance Lead**"), a subsidiary of the Company and the immediate holding company of Beihai Perfuming Garden, alleging that he had the right to require Chance Lead to transfer 46.14% equity interests in Beihai Perfuming Garden to him pursuant to certain contractual arrangements alleged to have been executed by Chance Lead, Mr. Man and the previous shareholders of Beihai Perfuming Garden in February 2010 (the "**Arrangements**"). Furthermore, the Company was made aware of a court order in the PRC requiring Tianyang Perfuming Garden Food Industrial Co., Ltd.* (田陽果香園食品工業有限公司) ("**Tianyang Perfuming Garden**"), a PRC subsidiary of the Company, to repay a loan of RMB17 million and the interest in arrears. Based on the court documents received, the directors of the Company understood the allegations to be that Tianyang Perfuming Garden had allegedly entered into a loan facility agreement with a person called Xue Zhen* (薛珍) on 1 June 2017 in respect of a loan which amounted to RMB17 million with interest rate of 6% per annum. It is alleged that such loan and the interests were due for repayment. It is further alleged that Tianyang Perfuming Garden had also pledged two pieces of land to Xue Zhen as security for the loan but such pledge had not been registered with the PRC authorities (the "**Tianyang Perfuming Garden Proceeding**") (hereinafter, the Arrangements, the Tianyang Perfuming Garden Proceeding, Mr. Chen's Allegation and Mr. Man's Allegation are collectively referred to as the "**Allegations**"). The board of directors of the Company (the "**Board**") had, since becoming aware of the legal proceedings, made enquiries with Tianyang Perfuming Garden in connection with information related to this loan, but up to the date of approval of the consolidated financial statements, Tianyang Perfuming Garden (which to the Company's knowledge its senior management includes Mr. Huang Xin, Mr. Pang Yi, Mr. Man and Mr. Wang Jia Yi) has not responded nor cooperated. The Company had also instructed its PRC legal advisers to attend the office of Tianyang Perfuming Garden to exercise its shareholders' right and make enquiries. Nevertheless the management of Tianyang Perfuming Garden refused to cooperate. Further details are disclosed in the Company's announcement dated 30 June 2017.

* *For identification purposes only*

2. BASIS OF PREPARATION *(continued)*

As a result of the above, the Group's consolidated financial statements for the year ended 30 June 2016 were not available for publication by 30 September 2016, being the time by which the Company was obliged to make such publication under the Rules Governing the Listing of Securities on the HKEx (the "**Hong Kong Listing Rules**") and Alternative Investment Market ("**AIM**") Rules for Companies governing the admission to and operation of AIM published by the London Stock Exchange. Consequently, the shares of the Company were suspended from trading on the HKEx and the AIM with effect from 29 September 2016 (Hong Kong time) and 28 September 2016 (UK time) respectively. As disclosed in the Company's announcement dated 27 March 2017, the London Stock Exchange would cancel the admission of AIM securities where these securities had been suspended from trading for 6 months and as such the Company's shares would be cancelled from trading on AIM with effect from 29 March 2017, being the date that is 6 months from the date when the shares were initially suspended.

The directors of the Company have initiated and tried to establish communication with Mr. Man and Mr. DQ Chen as well as other senior management of the Company's subsidiaries established in the PRC (except for Guangzhou Asian Citrus Investment Consulting Co., Ltd.* (廣州市亞機果投資諮詢有限公司), which was established by the Group on 21 January 2016) (the "**PRC Subsidiaries**") with a view to clarify details in connection with the Allegations. The Group had initiated formal legal procedures to change the relevant senior management members of the PRC subsidiaries. After taking legal advice from a PRC lawyer, the Group considered that the implementation of such changes may take a prolonged time and cause undue delay. Up to the date of approval of the consolidated financial statements, (i) the Group has not yet received any of the requested information from Mr. Man and Mr. DQ Chen in respect of the Allegations which are required for the proper finalisation of the consolidated financial statements of the Group; and (ii) the relevant legal procedures to change the senior management members of the PRC subsidiaries are still in progress. Further details are disclosed in the Company's announcements dated 8 November 2016, 8 December 2016, 6 January 2017, 27 January 2017, 27 February 2017, 15 March 2017, 27 March 2017, 30 June 2017 and 29 September 2017.

The Board believes that the occurrence of the Allegations and the inability of the management of the Group to gain access to the complete books and records of the PRC Subsidiaries of the Company or to obtain explanations and information from the management of the PRC Subsidiaries (hereinafter, together with the incidents relating to the Allegations, are collectively referred to as the "**Incidents**") have adversely affected the normal operations of the Group and are against the interests of the shareholders of the Company.

Given the circumstances that the directors of the Company have not been able to have access to complete books and records of the PRC Subsidiaries and in the absence of Mr. Man, Mr. DQ Chen and the management of the PRC Subsidiaries to explain and validate the true state of the affairs of the PRC Subsidiaries as at the end of the Group's financial reporting periods subsequent to 30 June 2015 and their financial performance for the financial years then ended, the directors of the Company considered it would be extremely difficult and time consuming to ascertain the true and correct financial position and profit or loss as of and for these financial years for the Group on a consolidated basis or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during these financial years and various balances of the Group and the PRC Subsidiaries as at the end of these financial years. As of the date of approval of the consolidated financial statements of the Group, the directors of the Company are satisfied that the Group has used its best efforts, to the extent commercially practicable, to attempt to obtain the accounting records of the PRC Subsidiaries for these financial years, applying the best estimates and judgement based on the information of the Group that are available to the directors of the Company. In the opinion of the Board, any reconstruction of the correct accounting records would be impracticable as it will be necessary to verify the information with external and independent sources and such sources may not be available or may be unreliable due to their connections with the management of the PRC Subsidiaries or those responsible for the financial information within and outside of the Group.

* *For identification purposes only*

2. BASIS OF PREPARATION *(continued)*

Given these circumstances, the Board has not consolidated the financial statements of the PRC Subsidiaries (hereinafter referred to as the "**Deconsolidated Subsidiaries**") with effect from 1 July 2015. As such, the results, assets and liabilities of the Deconsolidated Subsidiaries have not been included into the consolidated financial statements of the Group since 1 July 2015. The deconsolidation of the Deconsolidated Subsidiaries resulted in a loss of approximately RMB3,935,432,000, which was determined based on the carrying amounts of the assets and liabilities of the Deconsolidated Subsidiaries brought forward as at 1 July 2015. This loss had been recognised in the consolidated statement of profit or loss of the Group for the year ended 30 June 2016 and presented as loss arising from the Incidents. Certain information related to the Deconsolidated Subsidiaries are set out in note 10 to the consolidated financial statements.

In the opinion of the directors of the Company, the consolidated financial statements of the Group as at and for the year ended 30 June 2018 prepared on the aforementioned basis is the most appropriate and practical way of presenting the results and state of affairs of the Group as the directors of the Company were unable to obtain sufficient documentary information to satisfy themselves regarding the transactions and balances related to the Deconsolidated Subsidiaries. However, the deconsolidation of the Deconsolidated Subsidiaries is not in compliance with the requirements of International Financial Reporting Standard ("**IFRS**") 10 "Consolidated Financial Statements". Given the abovementioned circumstances, the directors of the Company are unable to ascertain the impact of the Incidents with respect to the accounting records and transactions of the Deconsolidated Subsidiaries, if any, and hence how much of the reported loss arising from the Incidents related solely to the impact of deconsolidation of the Deconsolidated Subsidiaries. Furthermore, the comparative financial information disclosed in the consolidated financial statements only represents such information as reported in the consolidated financial statements of the Group for the year ended 30 June 2017 (the "**2017 Financial Statements**") and therefore may not be comparable with the figures for the current year.

Due to limited books of account and records available to the directors of the Company and the non-consolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015, the following disclosures have not been made in the consolidated financial statements insofar as the details or information relate to the Deconsolidated Subsidiaries as at and for the years ended 30 June 2018 and 2017:

- Details of the credit policy and aging of debtors and creditors as required by the Hong Kong Listing Rules;
- Details of contingent liabilities and commitments as required by the Hong Kong Companies Ordinance and IFRSs;
- Details of allowance account for credit losses, financial risk management and fair value disclosure as required by IFRS 7 "Financial Instruments – Disclosures"; and
- Entity-wide disclosures as required by IFRS 8 "Operating Segments".

2. BASIS OF PREPARATION *(continued)*

Further, for the same reasons as those stated above, the Board is unable to assert that all transactions entered into by the Group for the year ended 30 June 2018 have been properly reflected in the consolidated financial statements. In this connection, the Board is also unable to assert as to the completeness, existence and accuracy of identification and the disclosures of segment information in note 7, revenue in note 8, other income in note 9, loss arising from the Incidents in note 10, loss before tax in note 11, income tax expense in note 12, directors' emoluments in note 13, individuals with highest emoluments in note 14, loss per share in note 15, property, plant and equipment in note 16, prepayment for acquisition of a subsidiary in note 17, biological assets in note 18, inventories in note 19, trade and other receivables in note 20, cash and cash equivalents in note 21, capital, reserves and dividends in note 22, share-based payments in note 23, trade and other payables in note 24, commitments in note 25, related party transactions in note 26, re-consolidation of a deconsolidated subsidiary in note 28, statement of financial position of the Company in note 29, events after the reporting period in note 30 and comparative information in note 31 insofar as the details or information relate to the Deconsolidated Subsidiaries.

As per assessment by the Board based on the information available at this stage, all identified and required adjustments have been put through in the consolidated financial statements for the year ended 30 June 2018. Since the communication with Mr. Man and Mr. DQ Chen and formal legal procedures are still ongoing, any further adjustments and disclosures, if required, would be made in the consolidated financial statements of the Group as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified.

During the year ended 30 June 2018, the legal representative of Lucky Team Hepu passed away in August 2017. In view of such development, following consultation with the PRC legal advisers, the Company had submitted applications to effect the appointment of a replacement legal representative of Lucky Team Hepu and its directors. Further details are disclosed in the Company's announcement dated 29 September 2017.

The Group thereafter obtained a copy of the business licence of Lucky Team Hepu re-issued by the State Administration for Industry and Commerce (the "**SAIC**") at Beihai City and Hepu County of the PRC, effected changes of the legal representative, board of directors and supervisor of Lucky Team Hepu to the Company's nominated representatives, all of which have taken effect on 28 September 2017 and reflected on public record, and then entered into the premises of Lucky Team Hepu to take physical control and possession of the registered office of Lucky Team Hepu, including the land and buildings occupied by it, and made an inventory record of assets, books and records being held on site. The directors of the Company therefore considered that the Group's effective control over Lucky Team Hepu was resumed since 28 September 2017 and its financial statements would be consolidated into the Group's consolidated financial statements for the year ended 30 June 2018 with a loss on resumption of control of approximately RMB231,718,000 being recognised in the consolidated statement of profit or loss of the Group for the year ended 30 June 2018. The details of the resumed assets and liabilities recorded on 28 September 2017 are set out in note 28 to the consolidated financial statements. Further details are disclosed in the Company's announcements dated 31 October 2017, 30 November 2017 and 28 December 2017.

2. BASIS OF PREPARATION *(continued)*

As disclosed in notes 17 and 27 to the consolidated financial statements, on 3 January 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interests in Guangxi Hepu Guanhua Agriculture Co., Ltd.* (廣西合浦冠華農業有限公司) (the "**Agriculture Company**"), of which the principal activities are cultivation management and sales of oranges, with a total cash consideration of RMB1,000,000 (the "**Agriculture Company Acquisition**"). Prior to the Agriculture Company Acquisition, the Agriculture Company had entered into a cooperation agreement (the "**Cooperation Agreement**") with Lucky Team Hepu on 1 December 2016 for a term of 30 years that the Agriculture Company would contribute fertilizers, pesticides and labour while Lucky Team Hepu would contribute the land, trees, machinery and the provision of technical support on cultivation and soil management. Under the Cooperation Agreement, the revenue generated from harvested oranges would be shared between the Agriculture Company and Lucky Team Hepu in the proportion of 90% and 10% respectively. On 18 September 2017, the legal title of the equity interests of the Agriculture Company changed to the Company's wholly-owned subsidiary and the legal representative of the Agriculture Company also changed to the Company's nominated representative and both of the above were reflected on public records of the SAIC at Beihai City and Hepu County of the PRC; and the Agriculture Company Acquisition was completed on the same date.

During the year ended 30 June 2018, the Group incurred loss of approximately RMB221,792,000 and as of that date, the Group's total liabilities exceeded its total assets by approximately RMB433,256,000. Following deconsolidation of the Deconsolidated Subsidiaries, net liabilities appeared on the Group's consolidated statement of financial position. In addition, at the request of the Company, the trading of the shares of the Company on the HKEx was suspended with effect from 29 September 2016. The directors of the Company have been unable to represent that all present and contingent liabilities of the Group have been completely identified as abovementioned. These conditions indicate the existence of a material uncertainty which may cast significant doubts on the Group's ability to continue as a going concern.

Notwithstanding the above circumstances, the consolidated financial statements have been prepared on a going concern basis. The validity of the going concern basis is dependent upon the success of the Group's future operations, its ability to generate adequate cash flows in order to meet its obligations as and when fall due. In addition, a substantial shareholder of the Company has confirmed his intention to provide continuing financial support to the Group to enable it to continue as a going concern and to settle its liabilities as and when they fall due for the foreseeable future such that the Group can meet its future working capital and financing requirements.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the consolidated financial statements.

* *For identification purposes only*

3. APPLICATIONS OF NEW AND REVISED IFRSs

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

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time in the current year:

IAS 7 (Amendments)	Disclosure Initiative
IAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
IFRS 12 (Amendments)	Disclosure of Interests in Other Entities

Except as described below, the adoption of the other amendments to IFRSs has had no significant financial effect on these consolidated financial statements and there have been no significant changes to the accounting policies applied in these consolidated financial statements.

IAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The adoption of these amendments to IAS 7 has had no material impact on the Group's consolidated financial statements as the Group does not have any liabilities arising from financing activities.

(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:

IFRSs (Amendments)	Annual Improvements to IFRSs 2015-2017 Cycle[2]
IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
IFRS 9	Financial Instruments[1]
IFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 15 (Amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
IAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[2]
IAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[2]
IAS 40 (Amendments)	Transfers of Investment property[1]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]

3. APPLICATIONS OF NEW AND REVISED IFRSs *(continued)*

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

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for annual periods beginning on or after a date to be determined

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group intends to adopt the standard of IFRS 9 from 1 July 2018 without restatement of prior periods with any effects of implementation recognised as an adjustment to opening retained earnings. Management has assessed the impact of the new standard on the Group's financial statements and has not identified any material impact to the Group.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity 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. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

3. APPLICATIONS OF NEW AND REVISED IFRSs *(continued)*

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

IFRS 15 Revenue from Contracts with Customers (continued)

In 2017, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, they do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

3. APPLICATIONS OF NEW AND REVISED IFRSs *(continued)*

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

IFRS 16 Leases (continued)

Furthermore, extensive disclosures are required by IFRS 16. As at 30 June 2018, the Group as lessee has non-cancellable operating lease commitments of approximately RMB96,053,000 as disclosed in note 25. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The combination of straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to the consolidated statement of profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term, but there is no impact on the total expenses recognised over the lease term. The directors of the Company anticipate that the application of IFRS 16 would not have significant impact on the net financial position and performance of the Group comparing with IAS 17 currently adopted by the Group. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

The directors of the Company consider that the application of other new and amendments to IFRSs do not have material impact to the consolidated financial statements of the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

Except as disclosed in note 2 to the consolidated financial statements, the consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Listing Rules and by the disclosure requirements of the Hong Kong Companies Ordinance ("**CO**").

The consolidated financial statements have been prepared under the historical cost basis as appropriate, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

The principal accounting policies are set out below.

(a) Basis of consolidation

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

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

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

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

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity thereon.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Business combinations

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

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

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

- liabilities or equity instruments related to share-based payment transactions of the acquire or the replacement of an acquiree's share-based payment transactions with share based payment transactions of the Group are measured in accordance with IFRS 2 at the acquisition date;

- assets or liabilities related to an operating lease in which the acquiree is the lease shall not be recognised, unless the terms of an operating lease are favorable or unfavorable relative to market terms. In that case, an intangible asset or a liability, as appropriate, is recognised; and

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Business combinations *(continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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 acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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 may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 4(h)(ii)).

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

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.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the 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 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 for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and subsequent impairment losses (see note 4(h)(ii)).

Depreciation of property, plant and equipment is calculated, using the straight-line basis, to write off the cost of each asset less residual value over its estimated useful life at the following principal annual rates:

Buildings	2.22% to 20%
Leasehold improvements	3.33% to 33.33%
Fixtures and equipment	5% to 33.33%
Motor vehicles	10% to 33.33%
Infrastructure and machinery	2% to 33.33%
Bearer plants	10 years to 17 years

Bearer plants are living plants that are used in production on supply of agricultural produce, are expected to bear produce for more than one period and have remote likelihood of being sold as agricultural produce, except for incidental scrap sales. Bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment. Depreciation is provided for in respect of bearer plants when they are in the location and condition necessary to be capable of operating in the manner intended by management, which is the point of maturity of bearer plants. Bearer plants are measured at accumulated cost less any impairment before maturity. When the bearer plants are mature, they are measured at cost, less any subsequent accumulated depreciation and impairment, with changes recognised in consolidated profit or loss.

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when the cost of the item can be measured reliably and it is probable that future economic benefits will flow to the entity. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the item and is recognised in consolidated profit or loss.

(f) Construction-in-progress

Construction in progress represents infrastructure and land improvements under construction, property, plant and equipment under construction and equipment pending installation, and is stated at cost less subsequent impairment losses (see note 4(h)(ii)). The cost of completed construction work is transferred to the appropriate category of property, plant and equipment. Depreciation commences when the relevant assets are available for use.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating leases charges

Where the Group has the use of assets, including plantation bases, held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(h) Impairments

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Impairments *(continued)*

(ii) Non-financial assets

The carrying amounts of the non-financial assets, other than inventories (see note 4(i)) and deferred tax assets (see note 4(o)), are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. 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 in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Inventories

Inventories, including the agriculture produce, are stated at the lower of cost and net realisable value. The cost of inventories is computed using first-in, first-out method and includes all costs incurred in acquiring the inventories to bring them to their present location and condition. In case of manufactured inventories, cost includes direct labour and appropriate share of overheads. Net realisable value is based on anticipated sales proceeds less estimated cost of completion and selling expenses.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 4(h)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Cash and cash equivalents

Cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would not be material, in which case they are stated at cost.

(m) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial assets 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest income is recognised on an effective interest basis for debt instruments.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial instruments *(continued)*

Financial assets (continued)

Impairment of financial assets

The financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the investment have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables and deposits paid, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and deposits paid, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Financial instruments *(continued)*

Financial liabilities and equity instruments (continued)

Equity instruments

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

Financial liabilities

Financial liabilities (including accrued expenses and other payables and borrowings) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis and is included in finance costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Company has transferred substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(n) Employee benefits

(i) Short-term employee benefits and contributions to defined contributions retirementplans

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

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

(ii) Share-based payments

The Company operates equity-settled, share-based compensation plans. The cost of share options is charged to profit or loss and the corresponding amount is recognised in the share option reserve under equity. Where the grantees are required to meet vesting conditions before they become entitled to the share options or shares, the Company recognises the fair value, determined at the grant date, of the share options or shares granted as an expense on a straight-line basis over the vesting period. If the grantees choose to exercise share options, the respective amount in the share option reserve is transferred to share capital and share premium, together with exercise price, net of any directly attributable transaction costs. At the end of each reporting period, the Company revises its estimates of the number of share options expected to vest. The impact of the revision of original estimates, if any, is recognised in profit or loss with a corresponding adjustment to the share option reserve over the remaining vesting period.

(o) Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Taxation *(continued)*

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as described below.

Sales of goods are recognised upon transfer of significant risks and rewards of ownership to the customer. This is usually taken to be the point in time when the goods are delivered and the customer has accepted the goods. Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Transactions in foreign currencies are translated into RMB using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated into RMB at the rates ruling at the end of the reporting period. Profits and losses resulting from this translation policy are recognised in profit or loss.

In the consolidated financial statements, the results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Items in statements of financial position are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(s) Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match with the costs that the grants are intended to compensate. Government grants relating to income is presented in gross under “other income” in profit or loss.

Government grants relating to assets, the fair values are credited to deferred income account and are released to the statement of profit or loss over the expected useful life of the relevant assets by equal annual instalments or deducted from the carrying amount of the assets and released to profit or loss by way of reduced depreciation charges.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Biological assets

Biological assets consist of the growing produce before harvest on citrus trees. Citrus trees are bearer plants and are accounted for as property, plant and equipment (see note 4(e) above).

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

The agricultural produce harvested from citrus trees is measured at fair value less costs to sell at the time of harvest, which is determined based on market prices of similar oranges 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.

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

(u) 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.

4. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Related parties *(continued)*

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(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).

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

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

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

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

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

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

(v) Segment reporting

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

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

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Property, plant and equipment and depreciation

Management determines the estimated useful lives and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. If the actual useful lives of property, plants and equipment are less than the original estimate useful lives due to changes for the remaining useful lives, such difference will impact the depreciation charge for the remaining useful lives.

The Group determines the useful lives, residual values and related depreciation charges for the Group's bearer plants. This estimate is based on the historical experience of actual useful lives and residual values of bearer plants of particular species. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and applicable selling expenses. These estimates are based on the current market condition and the historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. The Group's management reassesses the estimations at the end of each reporting period.

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 oranges 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 re-measurement or changes in harvests in future accounting periods.

Revenue

Revenue is measured at the fair value of the consideration received or receivable, which is also used for the measurement of the fair value of the agricultural produce at the point of harvest as the agricultural produce are sold soon after they are harvested. The fair value of the agricultural produce at the point of harvest represents current market price of similar oranges prevailing in the market as at or close to the harvest dates. As market prices of oranges could be changed significantly as a result of changes in current market conditions, the Group assesses the market conditions at the relevant times to determine whether the fair value of the agricultural produce at the point of harvest is the consideration received or receivable from the sale of the harvested agricultural produce.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Trade and other receivables	4,368	2,862
Cash and cash equivalents	54,743	16,545
	59,111	19,407
Financial liabilities		
Trade and other payables	(21,099)	(4,104)
Amount due to a director	(508)	–
Amount due to the Deconsolidated Subsidiaries	(571,442)	(237,514)
	(593,049)	(241,618)

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, cash and cash equivalents and trade and other payables. Details of these financial instruments are disclosed in the respective notes.

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

Market risk

(i) Currency risk

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

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

Exposure to currency risk

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

	Assets		Liabilities	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
HKD	4,873	11,815	9,876	62

6. FINANCIAL INSTRUMENTS *(continued)*

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

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

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

	2018			2017		
	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in loss after tax and accumulated losses *RMB'000*	Effect on other components of equity *RMB'000*	Increase/ (decrease) in foreign exchange rates	(Decrease)/ increase in loss after tax and accumulated losses *RMB'000*	Effect on other components of equity *RMB'000*
HKD	10%	452	–	10%	(981)	–
	(10%)	(452)	–	(10%)	981	–

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the end of next annual reporting period. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the group entities' result after income tax and equity measured in the respective functional currency, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purpose. The analysis is performed on the same basis for 2017.

(ii) Interest rate risk

The Group's interest rate risk primarily arises from short term bank deposits. The Group's interest income is dependent on changes in market interest rates. However, a reasonably possible change of 100 basis points in interest rates would have no significant impact on the Group's loss for the year.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Credit risk

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

The credit risk on cash and cash equivalents is limited because the counterparties are authorized banks located in the PRC and Hong Kong, which management believes are of high credit quality.

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.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statements of financial position after deducting any impairment allowance.

6. FINANCIAL INSTRUMENTS *(continued)*

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

Liquidity risk

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

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

2018	Carrying amount *RMB'000*	Total contractual undiscounted cash outflow *RMB'000*	Within 1 year or on demand *RMB'000*	After 1 year but within 2 years *RMB'000*	After 2 years but within 5 years *RMB'000*
Trade and other payables	(593,049)	(593,049)	(593,049)	–	–

2017	Carrying amount *RMB'000*	Total contractual undiscounted cash outflow *RMB'000*	Within 1 year or on demand *RMB'000*	After 1 year but within 2 years *RMB'000*	After 2 years but within 5 years *RMB'000*
Trade and other payables	241,618	241,618	241,618	–	–

(c) Fair value measurements of financial instruments

The directors of the Company consider that the carrying amounts of the financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. SEGMENT INFORMATION

The Group managed its business by lines of business. In a manner consistent with the way in which information was reported internally to the Group's chief operating decision maker for the purposes of resources allocation and performance assessment, the Group has one operating and reportable segment. The Group was engaged in agricultural produce (planting, cultivation and sale of agricultural produce) during the year ended 30 June 2018 and did not record any revenue generated from its principal activities during the year ended 30 June 2017.

Geographical information

Information about the Group's revenue from continuing operations from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2018 ***RMB'000***	2017 *RMB'000*	**2018** ***RMB'000***	2017 *RMB'000*
Hong Kong	**–**	–	**2,643**	4,799
The PRC	**54,249**	–	**94,179**	–
	54,249	–	**96,822**	4,799

Information about major customers

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

	2018 ***RMB'000***	2017 *RMB'000*
Customer A	**20,900**	–
Customer B	**19,369**	–

8. REVENUE

	2018 ***RMB'000***	2017 *RMB'000*
Sales of oranges	**54,249**	–

The revenue amount also represents the fair value of agricultural produce at the point of harvesting, as the oranges were sold as soon as they were harvested.

9. OTHER INCOME

	2018 *RMB'000*	2017 *RMB'000*
Management income (note)	2,627	–
Interest income	77	106
Sundry income	750	1,542
	3,454	1,648

Note:

Management income was derived from the Group's provision of management service on cultivation.

10. LOSS ARISING FROM THE INCIDENTS

As explained in note 2 to the consolidated financial statements, the directors of the Company have been unable to locate and to get access to the complete books and records of the Deconsolidated Subsidiaries and the management of the Deconsolidated Subsidiaries did not respond to any request for information. The financial results, assets and liabilities of the Deconsolidated Subsidiaries have not been included in the consolidated financial statements of the Group since 1 July 2015. "Loss arising from the Incidents" of approximately RMB3,935,432,000 and impairment losses on amounts due from Deconsolidated Subsidiaries of approximately RMB1,250,898,000 were recognised in the consolidated statement of profit or loss for the year ended 30 June 2016.

For the purposes of the consolidated financial statements, in view of the deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015, all references to the "Group" refer to the Company and its subsidiaries excluding the Deconsolidated Subsidiaries if the words "the Group" are used in respect of the years ended or as at 30 June 2017 and 2018.

(a) Amounts due to the Deconsolidated Subsidiaries included in the consolidated statement of financial position

	2018 *RMB'000*	2017 *RMB'000*
Trade and other payables	571,442	237,514

10. LOSS ARISING FROM THE INCIDENTS *(continued)*

(b) Contingent liabilities

As set out in note 2 to the consolidated financial statements, in June 2017, the Company was made aware of (i) service of proceedings from a court in the PRC whereby Mr. Man has commenced legal proceedings against Chance Lead alleging that he had the right to require Chance Lead to transfer 46.14% equity interests in Beihai Perfuming Garden to him pursuant to the Arrangements (the "**BPG Shareholders' Dispute**") and (ii) the Tianyang Perfuming Garden Proceeding.

On or about 30 January 2018, the Group received three writs of summon issued by Guangxi Zhuang Autonomous Region Beihai City Intermediate People's Court (廣西壯族自治區北海市中級人民法院) on 10 January 2018 against (i) the Company; (ii) BPG Food & Beverage Holdings Ltd. (果香園食品控股有限公司); and (iii) Wealth Elite Investments Limited (鑫卓投資有限公司) requiring each to, among others, attend a court hearing scheduled on 13 March 2018 in respect of the BPG Shareholders' Dispute. The parties' submissions regarding verification of evidence were heard during the court held on 13 March 2018. The court has yet to come to a conclusion up to the date of approval of these consolidated financial statements.

In addition, (i) in May 2017, the Group was informed by the senior management of Tianyang Perfuming Garden that Tianyang Perfuming Garden was involved in certain court proceedings in the PRC whereby the Guangxi Zhuang Autonomous Region Tianyang County People's Court (廣西壯族自治區田陽縣人民法院) had issued a judgement ordering Tianyang Perfuming Garden to pay damages in the amount of approximately RMB3,717,000 (together with interests) for certain construction works (the "**First TPG Judgement**"); and (ii) in late February 2018, the Company was further made aware by the senior management of Tianyang Perfuming Garden that Tianyang Perfuming Garden had been served with a service of proceeding from Guangxi Zhuang Autonomous Region Tianyang County People's Court (廣西壯族自治區田陽縣人民法院) whereby the same claimant under the First TPG Judgement had commenced a legal proceeding against Tianyang Perfuming Garden alleging that it had defaulted in the payment of approximately RMB836,000 together with interests for the same construction works as mentioned in (i) above. In May 2018, Guangxi Zhuang Autonomous Region Tianyang County People's Court (廣西壯族自治區田陽縣人民法院) issued an order ordering Tianyang Perfuming Garden to make payment in the amount of approximately RMB669,000 (together with interest) to the aforesaid claimant. The Company was then made aware by the senior management of Tianyang Perfuming Garden that the relevant court had issued judgements ordering the freezing of a bank account held by Tianyang Perfuming Garden in respect of the First TPG Judgement, and the inclusion of Tianyang Perfuming Garden in the "List of Dishonest Persons subject to Enforcement".

11. LOSS BEFORE TAX

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

	2018 *RMB'000*	2017 *RMB'000*
(a) Staff costs (including directors' emoluments)		
– salaries, wages and other benefits	12,714	9,579
– contribution to defined contribution retirement plans	135	225
	12,849	9,804
(b) Other items		
Auditors' remuneration		
– Audit services	1,319	1,052
– Non-audit services	659	683
	1,978	1,735
Depreciation of property, plant and equipment	11,884	1,751
Exchange loss, net	2,120	342
Legal and professional fees	4,075	2,504
Operating lease expenses		
– properties	2,934	3,096
– plantation bases	2,858	–
Loss on disposal of property, plant and equipment	2	–

12. INCOME TAX EXPENSE

(a) On the basis stated below, no income tax has been provided for by the Group:

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

(ii) Hong Kong profits tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profit for the year, net of tax losses carried forward, if applicable. No Hong Kong profits tax has been provided for as the Group did not have assessable profits arising in or derived from Hong Kong.

12. INCOME TAX EXPENSE *(continued)*

(a) On the basis stated below, no income tax has been provided for by the Group: *(continued)*

(iii) No PRC enterprise income tax has been provided for as the Group did not have assessable profit in the PRC during the year. Prior to the deconsolidation of the Deconsolidated Subsidiaries, the Group determined its provision for PRC enterprise income tax based on the respective applicable rates on the estimated assessable income of the Group's subsidiaries in the PRC as determined in accordance with the relevant income tax laws, rules and regulations of the PRC.

According to the PRC tax law, its rules and regulations, enterprises that engage in certain qualifying agricultural business are eligible for certain tax benefits, including full enterprise income tax exemption on profits derived from such business. Certain of the subsidiaries of the Company and the Deconsolidated Subsidiaries in the PRC engaged in qualifying agricultural business were entitled to full exemption of enterprise income tax.

The applicable enterprise income tax rate of the other operating entities comprising the Deconsolidated Subsidiaries in the PRC is 25%.

(iv) PRC withholding income tax

Under the PRC tax law, profits of the Group's subsidiaries in the PRC derived since 1 January 2008 is subject to withholding income tax upon the distribution of such profits at the rate of 5% for foreign investors or companies incorporated in Hong Kong and at the rate of 10% for other foreign investors. Pursuant to the grandfathering arrangements of the PRC tax law, dividends receivable by the Group from its subsidiaries in the PRC in respect of the undistributed profits derived prior to 31 December 2007 are exempt from the withholding income tax. As at 30 June 2018, the Group has no unremitted profit of the subsidiaries in the PRC (2017: RMBNil) due to the deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

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

	2018 ***RMB'000***	2017 *RMB'000*
Loss before tax	**(221,792)**	(28,466)
Notional tax at the rates applicable to losses in the jurisdictions concerned	**(39,991)**	(4,697)
Tax effect of non-deductible expenses	**54,737**	4,425
Tax effect of temporary differences not recognised for deferred tax purposes	**–**	289
Tax effect of non-taxable income	**(14,746)**	(17)
Actual tax expense	**–**	–

13. DIRECTORS' EMOLUMENTS

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

	Directors' fees		Salaries allowances and benefits in kind		Retirement scheme contribution		Total	
	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000	2018 RMB'000	2017 RMB'000
Directors' emoluments								
Executive directors								
Mr. Ng Ong Nee *(Chairman and Chief Executive Officer)*	–	–	2,532	1,578	–	–	2,532	1,578
Mr. Ng Hoi Yue *(Deputy Chief Executive Officer)*	–	–	1,650	1,350	15	16	1,665	1,366
Non-executive directors								
Mr. He Xiaohong *(Note i)*	297	–	–	123	–	–	297	123
Independent non-executive directors								
Dr. Lui Ming Wah, PhS, SBS JP	198	210	–	–	–	–	198	210
Mr. Yang Zhen Han	198	210	–	–	–	–	198	210
Mr. Chung Koon Yan	198	210	–	–	–	–	198	210
	891	630	4,182	3,051	15	16	5,088	3,697

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2017: RMBNil).

Notes:

(i) Appointed on 10 February 2017.

14. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals of the Group during the year included two (2017: two) directors, details of which are set out in note 13 above. The emoluments in respect of the remaining three (2017: three) highest paid individuals are as follows:

	2018 *RMB'000*	2017 *RMB'000*
Salaries, wages and other benefits	1,741	1,871
Retirement scheme contribution	45	32
	1,786	1,903

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 (2017: RMBNil).

The three (2017: three) employees with the highest emoluments fell within the following band:

	2018	2017
HKDNil to HKD1,000,000	2	2
HKD1,000,001 to HKD1,500,000	1	1

15. LOSS PER SHARE

The calculation of the loss per share is based on the following:

	2018 *RMB'000*	2017 *RMB'000*
Loss		
Loss attributable to owners of the Company used in basic and diluted loss per share calculation	(221,792)	(28,466)
Weighted average number of shares	*'000*	*'000*
Weighted average number of ordinary shares used in basic and diluted loss per share calculation	1,249,638	1,249,638

Note:

There were no adjustments for the effects of assumed exercise of outstanding share options in the calculation of diluted loss per share as these potential ordinary shares had anti-dilutive effects.

16. PROPERTY, PLANT AND EQUIPMENT

	Construction-in-progress RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Fixtures and equipment RMB'000	Motor vehicles RMB'000	Infrastructure and machinery RMB'000	Bearer plants RMB'000	Total RMB'000
Cost								
At 30 June 2016	–	–	–	960	2,920	–	–	3,880
Additions	–	–	3,415	792	–	–	–	4,207
Exchange alignment	–	–	(36)	(7)	9	–	–	(34)
At 30 June 2017	–	–	3,379	1,745	2,929	–	–	8,053
Additions	140	–	478	459	406	–	–	1,483
Disposals	–	–	–	(69)	–	–	–	(69)
Re-consolidation of a deconsolidated subsidiary	–	28,137	816	3,819	242	93,084	52,950	179,048
Exchange alignment	–	–	(85)	(78)	(162)	–	–	(325)
At 30 June 2018	**140**	**28,137**	**4,588**	**5,876**	**3,415**	**93,084**	**52,950**	**188,190**
Accumulated depreciation and impairment								
At 30 June 2016	–	–	–	244	1,266	–	–	1,510
Charge for the year	–	–	783	441	527	–	–	1,751
Exchange alignment	–	–	(8)	(2)	3	–	–	(7)
At 30 June 2017	–	–	775	683	1,796	–	–	3,254
Charge for the year	–	700	1,105	751	516	5,389	3,423	11,884
Written back on disposals	–	–	–	(37)	–	–	–	(37)
Re-consolidation of a deconsolidated subsidiary	–	8,572	284	2,188	223	65,106	–	76,373
Exchange alignment	–	–	8	(22)	(92)	–	–	(106)
At 30 June 2018	**–**	**9,272**	**2,172**	**3,563**	**2,443**	**70,495**	**3,423**	**91,368**
Carrying amount								
At 30 June 2018	**140**	**18,865**	**2,416**	**2,313**	**972**	**22,589**	**49,527**	**96,822**
At 30 June 2017	–	–	2,604	1,062	1,133	–	–	4,799

Property, plant and equipment with net carrying amount of approximately RMB2,250,979,000 brought forward as at 1 July 2015, which were recorded in the Deconsolidated Subsidiaries, were derecognised from the Group's consolidated financial statements upon the deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

17. PREPAYMENT FOR ACQUISITION OF A SUBSIDIARY

On 3 January 2017, the Group entered into a sale and purchase agreement with an individual who, to the Company's directors' best knowledge, information, believe and having made all reasonable enquires, was an independent third party to the Group, to acquire 100% equity interests in the Agriculture Company with a total cash consideration of RMB1,000,000. The Agriculture Company is principally engaged in the operation of cultivation management and sales of oranges.

On the same date, the Group also entered into an agreement, pursuant to which the vendor of the Agriculture Company has agreed to hold the entire equity interests in the Agriculture Company (the "**Agriculture Company Equity**") for the benefit of the Group during the process of the transfer of the Agriculture Company Equity. A director of the Company's subsidiary had been appointed as the chief operating officer of the Agriculture Company and all the company chops, business licenses, information on bank accounts and leasehold property agreement of the Agriculture Company have been handed over to the Company.

Prior to the Agriculture Company Acquisition, the Agriculture Company entered into the Cooperation Agreement with Lucky Team Hepu on 1 December 2016 for a term of 30 years whereby the Agriculture Company would contribute fertilizers, pesticides and labour while Lucky Team Hepu would contribute the land, trees, machinery and the provision of technical support on cultivation and soil management. Under the Cooperation Agreement, the revenue generated from harvested oranges would be shared between the Agriculture Company and Lucky Team Hepu in the proportion of 90% and 10% respectively.

On 18 September 2017, the legal title of the equity interests of the Agriculture Company changed to the Company's wholly-owned subsidiary and the legal representative of the Agriculture Company also changed to the Company's nominated representative, both of which were reflected on public records of the SAIC at Beihai City and Hepu County of the PRC with effect from that date. RMB100,000 of the consideration sum was paid on 3 January 2017 upon entering into the sale and purchase agreement and the remaining balance of RMB900,000 was settled on 18 May 2017 in accordance with the terms of agreement of the Agriculture Company Acquisition. The Agriculture Company Acquisition was completed on 18 September 2017 and the prepaid consideration has been recognised as cost of acquisition of the Agriculture Company upon completion of the Agriculture Company Acquisition. Details of which are set out in note 27.

18. BIOLOGICAL ASSETS

	2018 *RMB'000*
At beginning of the year	–
Acquisition of the Agriculture Company *(Note 27)*	8,823
Increase due to cultivation	19,080
Gain from changes in fair value less costs to sell	32,320
Decrease due to harvested	(53,628)
At the end of the year	6,595

Notes:

(a) During the year, the Group harvested approximately 18,279 tonnes of oranges. The directors of the Company measured the fair value less costs to sell of oranges at the point of harvest based on market prices as at or close to the harvest dates.

(b) All oranges were harvested annually from January to June. The market approach is adopted to determine the fair value of the oranges at the point of harvest. The closing balances of biological assets as at 30 June 2018 included oranges growing on the citrus trees which were harvested shortly subsequent to the end of the reporting period whose fair value was estimated at approximately RMB1,397,000 with reference with the current market price of the oranges at the end of the reporting period, which is categorised as a level 2 fair value measurement. For the remaining oranges growing on the citrus trees as at 30 June 2018, the present value of expected cash flows was not considered as a reliable measure of their fair value as at that date due to the need for the use and adoption of subjective assumptions including weather conditions, natural disaster and effectiveness of agricultural chemicals. As such, the directors of the Company considered that the fair value of these oranges 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 oranges with carrying amount of approximately RMB5,198,000 were stated at cost as at 30 June 2018, representing cultivation cost incurred, mainly including fertilisers, pesticides and labour costs.

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

18. BIOLOGICAL ASSETS *(continued)*

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

(1) Regulatory and environmental risks

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

(2) Supply and demand risks

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

(3) Climate and other risks

The Group's orange 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 prices. The Group does not anticipate that orange prices will decline significantly in the foreseeable future. The Group reviews its outlook for orange prices regularly in considering the need for active price risk management.

Biological assets comprising bearer plants and agricultural produce growing on the bearer plants with aggregate net carrying amount of approximately RMB1,596,782,000 brought forward as at 1 July 2015, which were recorded in the Deconsolidated Subsidiaries, were derecognised from the Group's consolidated financial statements upon the deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

19. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	3,377	–
Finished goods	–	2,443
Agriculture produce	232	–
	3,609	2,443

Inventories with net carrying amount of approximately RMB106,033,000 brought forward as at 1 July 2015, which were recorded in the Deconsolidated Subsidiaries, were derecognised from the Group's consolidated financial statements upon deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

20. TRADE AND OTHER RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables	276	–
Other receivables, deposits and prepayments	4,928	2,862
	5,204	2,862

The ageing analysis of trade receivables is as follows:

	2018 RMB'000	2017 RMB'000
Less than 1 month	276	–

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

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018 RMB'000	2017 RMB'000
Neither past due nor impaired	276	–

Trade and other receivables related to an independent customer that has a good track record with the Group. The directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances which are still considered fully recoverable.

Trade receivables with net carrying amount of approximately RMB194,535,000 brought forward as at 1 July 2015, which were recorded in the Deconsolidated Subsidiaries, were derecognised from the Group's consolidated financial statements upon deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

21. CASH AND CASH EQUIVALENTS

	2018 *RMB'000*	2017 *RMB'000*
Cash at bank and on hand	54,743	16,545

Included in the cash and cash equivalents of the Group as at 30 June 2018 is an amount of approximately RMB54,322,000 (2017: RMB1,472,000) denominated in RMB. Conversion of RMB into foreign currencies is subject to the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations. The Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business.

Cash at bank earns interests at floating rates based on daily bank deposit rates. Bank deposits are made for terms ranging from one month to three months depending on the immediate cash requirements of the Group.

Cash and cash equivalents of approximately RMB864,883,000 brought forward as at 1 July 2015, which were recorded in the Deconsolidated Subsidiaries, were derecognised from the Group's consolidated financial statements upon deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

22. CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

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

	Share Premium *RMB'000*	Share option reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 July 2016	3,711,195	88,253	(3,796,877)	2,571
Loss and total comprehensive loss for the year	–	–	(36,618)	(36,618)
Share options cancelled	–	(713)	713	–
At 30 June 2017 and 1 July 2017	3,711,195	87,540	(3,832,782)	(34,047)
Loss and total comprehensive loss for the year	–	–	(23,134)	(23,134)
Share options lapsed	–	(20,841)	20,841	–
Share options cancelled	–	(1,211)	1,211	–
At 30 June 2018	**3,711,195**	**65,488**	**(3,833,864)**	**(57,181)**

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

(b) Share capital

	Number of shares	*HKD'000*	*RMB'000*
Authorised:			
Ordinary shares of HKD0.01 each			
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	2,000,000,000	20,000	20,900
Issued and fully paid:			
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	1,249,637,884	12,496	12,340

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.

(c) Dividends

No dividend has been paid or proposed by the Company during the year ended 30 June 2018 (2017: Nil).

(d) Capital management

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

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

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

23. SHARE-BASED PAYMENTS

Post Listing Share Option Scheme

Pursuant to a resolution of the shareholders on 2 November 2009, a new share option scheme ("**Post Listing Share Option Scheme**") was adopted and will expire on the tenth anniversary of the date on which the Post Listing Share Option Scheme becomes unconditional upon fulfillment of certain conditions. The Post Listing Share Option Scheme has taken effect upon the commencement of dealings of the Company's shares on the HKEx on 26 November 2009. Under the Post Listing Share Option Scheme, the directors of the Company may grant options to the directors and full time employees of the Group and any advisers, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group to subscribe for shares in the Company at a price no less than the greatest of: (i) the closing price of the shares as stated in the daily quotations sheet issued by the HKEx on the date of grant, which must be a business day; or (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the HKEx for the five business days immediately preceding the date of grant; or (iii) the nominal value of the shares.

An option will not normally be exercisable before the expiry of one year from the date of grant of the option. The exercise period for the share options granted is determinable by the directors of the Company and should not expire later than 10 years from the date of grant. No consideration is payable by the grantee upon acceptance of the grant of option under the Post Listing Share Option Scheme.

The total number of share options of the Company granted and to be granted under the Post Listing Share Option Scheme and any other subsequent share option scheme of the Company must not, in aggregate, exceed 77,055,980 share options. The total number of share options available for grant as at 30 June 2018 is 55,980, representing 0.005% of the issued share capital.

23. SHARE-BASED PAYMENTS *(continued)*

Post Listing Share Option Scheme *(continued)*

(a) The terms and conditions of the share options granted are as follows:

	Number of share options	Vesting conditions	Contractual life of options	Expiry date
Options granted to directors:				
– on 27 May 2010	10,750,000	(i)	8 years	26 May 2018
– 21 May 2015	4,000,000	(ii)	4 years	20 May 2019
Options granted to employees:				
– on 27 May 2010	19,250,000	(iii)	8 years	26 May 2018
– on 28 February 2011	20,000,000	(iv)	8 years	27 February 2019
– on 21 May 2015	23,000,000	(ii)	4 years	20 May 2019
Total share options granted	77,000,000			

Notes:

(i) 30%, 30% and 40% of the options become exercisable after the first, second and third anniversary from the date of grant, respectively.

(ii) become fully exercisable after the first anniversary from the date of grant, subject to continuing employment.

(iii) 30%, 30% and 40% of the options become exercisable after the first, second and third anniversary from the date of grant, respectively, subject to continuing employment.

(iv) become exercisable annually at the rate of 20% over 5 years, subject to continuing employment.

23. SHARE-BASED PAYMENTS *(continued)*

Post Listing Share Option Scheme *(continued)*

(b) Details of the outstanding share options are as follows:

	2018		2017	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of year	45,534,000	HK$5.20	46,134,000	HK$5.18
Lapsed during the year	(10,464,000)	HK$5.68	–	–
Cancelled during the year	(3,110,000)	HK$1.47	(600,000)	HK$3.58
Outstanding at end of year	31,960,000	HK$5.4	45,534,000	HK$5.20
Exercisable at end of year	31,960,000	HK$5.4	45,534,000	HK$5.20

The options outstanding at the end of the reporting period have a weighted average remaining contractual life of 9 months (2017: 1 year) and exercise prices were set at HKD1.47 and HKD9.00 (2017: HKD1.47, HKD5.68 and HKD9.00).

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted were measured by reference to the fair value of share options granted.

Certain employees ceased their employment with the Group during the year ended 30 June 2018, the share options previously granted to those employees on 21 May 2015 were cancelled accordingly. This resulted in movement recorded in the share options reserve of approximately RMB1,211,000 in the consolidated statement of changes in equity for the year ended 30 June 2018 (2017: RMB713,000).

The share options granted on 27 May 2010 expired during the year ended 30 June 2018. This resulted in movement recorded in the share options reserve of approximately RMB20,841,000 in the consolidated statement of changes in equity for the year ended 30 June 2018.

24. TRADE AND OTHER PAYABLES

	2018 *RMB'000*	2017 *RMB'000*
Trade payables	5,124	–
Other payables and accruals	15,975	4,104
Receipt in advance	7,180	–
Amount due to a director	508	–
Amount due to the Deconsolidated Subsidiaries	571,442	237,514
	600,229	241,618

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

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

	2018 *RMB'000*	2017 *RMB'000*
Less than 3 months	5,124	–

Trade and other payables of approximately RMB136,310,000 brought forward as at 1 July 2015, which were recorded in the Deconsolidated Subsidiaries, were derecognised from the Group's consolidated financial statements upon deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

25. COMMITMENTS

Operating lease commitments

At 30 June 2018, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 RMB'000	2017 RMB'000
Within 1 year	4,169	3,072
After 1 year but within 5 years	11,870	1,278
After 5 years	80,014	–
	96,053	4,350

At 30 June 2018 and 2017, operating lease payments represent rental payable by the Group for certain premises and land on which the plantations are situated. The leases of premises are negotiated for initial terms of three years. The leases for plantation bases are negotiated for a term of 50 years expiring in 2050. None of the leases include contingent rentals.

Capital commitments

	2018 RMB'000	2017 RMB'000
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	13,840	–

26. 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 balances with the Deconsolidated Subsidiaries and a director at the end of reporting period are set out in note 24.

(b) Compensation of key management personnel

	2018 RMB'000	2017 RMB'000
Short-term employee benefits	5,988	4,593
Contributions to defined contribution retirement plans	30	32
	6,018	4,625

Total remuneration is included in "staff costs" (see note 11(a)).

27. ACQUISITION OF THE AGRICULTURE COMPANY

The directors of the Company took the view that the Agriculture Company Acquisition was completed on 18 September 2017 (the "**Acquisition Date**").

The fair value of the identifiable assets and liabilities acquired which were recognised as at the Acquisition Date were as follows:

	RMB'000
Biological assets *(Note 18)*	8,823
Inventories	4,858
Amount due from Lucky Team Hepu *(Note)*	4,574
Cash and cash equivalents	17,158
Trade and other payables	(3,722)
Net assets acquired	31,691
Gain on bargin purchase:	
Consideration transferred	1,000
Less: Fair value of identifiable net assets acquired	(31,691)
Gain on bargain purchase	(30,691)
Cash acquired	17,158
Less: Cash consideration	(1,000)
Cash deposit for acquisition paid during the year ended 30 June 2017	1,000
Net cash inflow on acquisition of the Agriculture Company	17,158

Note:

The amounts were eliminated on consolidation when preparing the consolidated financial statements of the Group for the year ended 30 June 2018.

The Agriculture Company is engaged in cultivation management and sales of oranges in the PRC. The consideration of the Agriculture Company Acquisition was mutually agreed between the parties when the sale and purchase agreement was entered into on 3 January 2017 (the "**Agreement Date**"). As at the Agreement Date, the scale of operation of the Agriculture Company was minimal. Due to the change of ownership of the Agriculture Company required application and submissions of documents to various government departments in the PRC which was time-consuming, the process for obtaining the necessary approvals for the change of ownership of the Agriculture Company was completed only on 18 September 2017 (the Acquisition Date). During the period between the Agreement Date and the Acquisition Date, the Agriculture Company commenced operations and its financial position as of the Acquisition Date has been improved. As a result, a gain on bargain purchase of approximately RMB30,691,000 was recognised in the consolidated statement of profit or loss upon completion of the Agriculture Company Acquisition on the Acquisition Date.

27. ACQUISITION OF THE AGRICULTURE COMPANY *(continued)*

Since the Agriculture Company Acquisition, the Agriculture Company contributed approximately RMB45,998,000 to the Group's revenue and profit of approximately RMB30,623,000 to the Group for the year ended 30 June 2018.

Had the acquisition been completed on 1 July 2017, total group revenue for the year ended 30 June 2018 would have been approximately RMB54,249,000, and loss for the year ended 30 June 2018 would have been approximately RMB221,873,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2017, nor is it intended to be a projection of future results.

28. RE-CONSOLIDATION OF A DECONSOLIDATED SUBSIDIARY

As disclosed in the Company's announcement dated 31 October 2017, (i) the Company obtained a copy of the business licence of Lucky Team Hepu re-issued by the SAIC at Beihai City and Hepu County of the PRC; (ii) the changes of the legal representative, board of directors and supervisor of Lucky Team Hepu to the Company's nominated representatives were effected on 28 September 2017 and reflected on public records of the SAIC at Beihai City and Hepu County of the PRC with effect from that date; and (iii) the Company then occupied and took control over the registered office of Lucky Team Hepu located at No. 51 Mingyuan South Road, Lianzhou Town, Hepu County, Beihai City, Guangxi Zhuang Autonomous Region, the PRC* (中國廣西壯族自治區北海市合浦縣廉明鎮明園南路51號) (the "**Office**") and made an inventory record of assets and books and records being located therein. The directors of the Company therefore considered that the Group's control over Lucky Team Hepu was resumed since 28 September 2017 (the "**Resumed Date**") and its financial statements have been consolidated into that of the Group since then.

The Group engaged a professional firm of registered accountants in the PRC to reconstruct the books and records of Lucky Team Hepu based on the incomplete books and records located in the Office. The Board considers that it has used its best effort to retrieve all available supporting documents for the accounting records of Lucky Team Hepu.

Following the Group resuming control over Lucky Team Hepu on the Resumed Date, the Group recognised the carrying amounts of the assets and liabilities of Lucky Team Hepu as at that date using the historical cost basis for those net carrying amounts of the assets and liabilities for which the available accounting records could be reconstructed, as follows: (a) property, plant and equipment, comprised of fixtures and equipment, motor vehicles, buildings, leasehold improvements, infrastructure and machinery and orange trees classified as bearer plants under IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture", which were derived based on the physical counts, land and building certificate located in the Office, fixed assets register and valuation reports; (b) cash and bank balances were mainly derived based on the bank statements at 28 September 2017; and (c) amount due from the Company, amount due to the Agriculture Company and amounts due to the Deconsolidated Subsidiaries which were derived based on the accounting vouchers located in the Office, the statutory audited financial statements of Lucky Team Hepu for the year ended 31 December 2016 issued by a firm of Certified Public Accountants registered in the PRC and available information of the Company and the Agriculture Company.

* *For identification purposes only*

28. RE-CONSOLIDATION OF A DECONSOLIDATED SUBSIDIARY *(continued)*

The carrying amounts of the identifiable assets and liabilities of Lucky Team Hepu resumed as at the date of resumption of control are as follows:

	RMB'000
Property, plant and equipment	
– Bearer plants	52,950
– Others *(Note a)*	49,725
Amount due from the Company *(Note b)*	31,072
Cash and bank balances	4,109
Amount due to the Agriculture Company *(Note b)*	(4,574)
Amounts due to the Deconsolidated Subsidiaries	(365,000)
Net liabilities resumed	(231,718)
Net cash inflow on re-consolidation of Lucky Team Hepu	4,109

Notes:

(a) Property, plant and equipment – Others were comprised of buildings, leasehold improvements, fixtures and equipment, motor vehicles and infrastructure and machinery.

(b) The amounts were eliminated on consolidation when preparing the consolidated financial statements of the Group for the year ended 30 June 2018.

Upon the Group resumed recording the above assets and liabilities on 28 September 2017, the resulting loss of approximately RMB231,718,000 was recognised in the Group's consolidated statement of profit or loss for the year ended 30 June 2018.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 *RMB'000*	2017 *RMB'000*
ASSETS		
Non-current assets		
Property, plant and equipment	689	1,357
Interests in subsidiaries *(Note)*	306	1,000
	995	2,357
Current assets		
Other receivables	910	869
Cash and cash equivalents	111	13,018
	1,021	13,887
Total assets	2,016	16,244
EQUITY AND LIABILITIES		
Equity		
Share capital	12,340	12,340
Reserves	(57,181)	(34,047)
	(44,841)	(21,707)
Current liabilities		
Other payables and accruals	6,858	3,411
Amount due to Lucky Team Hepu	31,072	31,072
Amount due to a director	508	–
Amount due to a subsidiary	8,419	3,468
	46,857	37,951
Total equity and liabilities	2,016	16,244
Net current liabilities	(45,836)	(24,064)
Total assets less current liabilities	(44,841)	(21,707)

Note:

Included in interests in subsidiaries as at 30 June 2018 were gross carrying amounts of approximately RMB4,064,410,000 (2017: RMB4,064,410,000) of investments in wholly-owned subsidiaries directly held by the Company. The accumulated impairments of interests in subsidiaries were approximately RMB4,063,410,000 (2017: RMB4,063,410,000) as at 30 June 2018.

Signed on behalf of the board of directors by:

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

30. EVENTS AFTER THE REPORTING PERIOD

(a) Transitional arrangements for the amendments to the delisting frameworks

As disclosed in the Company's announcement dated 27 July 2018, the amendments to the delisting framework under the Hong Kong Listing Rules (the "**Amended Hong Kong Delisting Rules**") came into effect on 1 August 2018 (the "**Effective Date**"). Under the Amended Hong Kong Delisting Rules, as the Company's shares had been suspended from trading for more than 12 months as at the Effective Date, the HKEx may, under Rule 6.01A(2)(b)(ii) of the Amended Delisting Rules, cancel the Company's listing if trading in the shares remains suspended for 12 continuous months from the Effective Date.

The 12-month period will expire on 31 July 2019. If the Company fails to fulfil all the resumption conditions to the HKEx's satisfaction and resume trading in the shares by 31 July 2019, the HKEx may proceed with the cancellation procedures of the Company's listing. This is subject to the HKEx's right to impose a shorter specific remedial period under Rule 6.10 of the Amended Hong Kong Delisting Rules where appropriate.

(b) Litigation

On 9 July 2018, the Group received a writ of summon issued by Guangxi Zhuang Autonomous Region Hepu County People's Court (廣西壯族自治區合浦縣人民法院) against Lucky Team Hepu in respect of a claim from a supplier for an aggregate amount of approximately RMB1,313,000 together with the interests and legal costs, and a court of proceeding was then held on 15 August 2018. On 6 September 2018, the Group received a civil mediation letter issued from Guangxi Zhuang Autonomous Region Hepu County People's Court (廣西壯族自治區合浦縣人民法院) and requested that Lucky Team Hepu should pay to the claimant with an aggregate sum of approximately RMB1,056,000 including interests and legal costs as full and final settlement. A provision of approximately RMB1,056,000 has been charged to the consolidated statement of profit or loss during the year ended 30 June 2018 and included as trade and other payables in the consolidated statement of financial position as at 30 June 2018.

31. COMPARATIVE INFORMATION

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

FIVE YEAR FINANCIAL SUMMARY

	Year ended 30 June				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**54,249**	–	–	962,727	1,271,171
Gain/(loss) arising from changes in fair value of biological assets less costs to sell	**32,320**	–	–	(242,833)	(923,857)
Loss before income tax	**(221,792)**	(28,466)	(5,216,629)	(1,223,999)	(1,836,446)
Income tax credit	**–**	–	–	–	–
Loss for the year	**(221,792)**	(28,466)	(5,216,629)	(1,222,371)	(1,839,179)

	As at 30 June				
	2018	2017	2016	2015	2014
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES					
Non-current assets	**96,822**	5,799	2,370	3,772,146	4,223,305
Property, plant and equipment	**96,822**	4,799	2,370	2,253,506	2,305,246
Biological assets	**6,595**	–	–	1,332,482	1,406,801
Current assets	**70,151**	21,850	51,099	1,502,511	2,232,272
Total assets	**166,973**	27,649	53,469	5,274,657	6,455,577
Non-current liabilities	**–**	–	–	596	719
Current liabilities	**600,229**	241,618	239,938	138,699	102,200
Capital and reserves	**(433,256)**	(213,969)	(186,469)	5,135,362	6,352,658

COMPANY INFORMATION

DIRECTORS

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

Non-executive Director
Mr. HE Xiaohong

Independent Non-executive Directors
Mr. CHUNG Koon Yan
Dr. LUI Ming Wah, PhD, SBS, JP
Mr. YANG Zhen Han

COMPANY SECRETARY

Miss NG Ling Ling

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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