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

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

2021/22
INTERIM REPORT

* *For identification purposes only*

CONTENTS

FINANCIAL HIGHLIGHTS

RESULTS OF OPERATIONS

	For the six months ended 31 December 2021 (unaudited) RMB Million	 2020 (unaudited) RMB Million	% change
Reported financial information			
Revenue	**90.6**	120.2	-24.6
Other income	**5.7**	7.8	-26.9
Profit before tax	**2.7**	8.6	-68.6
Profit attributable to shareholders	**1.4**	6.3	-77.8
Basic earnings per share (RMB)	**0.06 cents**	0.50 cents	-88.0

FINANCIAL POSITION

	As at 31 December 2021 (unaudited) RMB Million	As at 30 June 2021 (audited) RMB Million	% change
Total assets	**231.2**	266.3	-13.2
Net current assets	**81.4**	141.6	-42.5
Cash and cash equivalents	**63.1**	167.9	-62.4
Shareholders' fund	**215.5**	214.5	0.5
Current ratio	**6.19**	3.73	66.0

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Asian Citrus Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present the latest development, progress and interim results of the Group for the six months ended 31 December 2021 (the "**Review Period**") to the shareholders of the Company.

REVIEW

In 2021, the COVID-19 pandemic continued to pose global concern and led to challenges and changes in the global economic environment. This year has been a difficult one for us, where the COVID-19 pandemic has caused drastic disruptions to the global supply chain. Many countries have adopted lockdown and quarantine policies and our business activities are influenced significantly as we faced unprecedented challenge in global logistics, importing and exporting of fruits. With a new strand of virus of COVID-19 discovered spreading, the global economy may require more time to recover to the pre-pandemic levels.

With the persevering efforts of the Directors and senior management of the Company, significant progress had been made and the Company completed the acquisition of land and properties in the People's Republic of China ("**China**" or the "**PRC**") in relation to a sales and purchase agreement the Group entered into in January 2021 and the acquisition of entire interest of an enterprise in the PRC in relation to an equity transfer agreement the Group entered into in June 2021.

For the Review Period, the Group recorded revenue of approximately RMB90.6 million, representing a decrease of approximately 24.6% as compared to the total revenue of approximately RMB120.2 million for the six months ended 31 December 2020. The operating results has decreased from a net operating profit of approximately RMB6.3 million for the six months ended 31 December 2020 to approximately RMB1.4 million for the Review Period. The significant deterioration in the operating profit of the Group was contributed by the direct and indirect impacts from the prolonged COVID-19 pandemic, unfavourable weather and the diplomatic relationships between the PRC and other countries. The Company continues to strives to enhance the revenue and the shareholder value of the Company in the foreseeable future.

PROSPECTS

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

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

The COVID-19 pandemic and global logistic issues has continued to affect the economy of China, the Company considers that, as long as the impacts persist, the market demand for high-quality fruits may continue to experience a temporary decline due to consumers' spending sentiment is still sluggish.

Facing these challenges ahead, the Company is exploring a number of strategies in expanding the Group's operations. The Group will continue to explore opportunities to source new kinds of fruits from various overseas countries for importing to its customers in the PRC to expand its product portfolio or as substitutes for those imported fruits which are subject to current import restrictions and pandemic measures. In view of the uncertainty with the mounting pressure on the global supply chain, the Group, being a premium fruits supplier in the PRC, is also considering the feasibility to source quality fruits from suppliers within the PRC for its customers in the PRC. The Group is actively approaching various domestic suppliers for sourcing quality fruits as substitutes for those premium quality imported fruits affected by import restrictions or supply chain logistics.

Further, the establishment of fruit distribution center after completion of the acquisition of land and properties will enhance the efficiency on processing fruits to achieve economies of scale by increasing the handling capacity of each distribution and the storage capacity.

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

We believes the Group may overcome the temporary difficulties and challenges and improve its business performance in the future.

APPRECIATION

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

Ng Ong Nee
Chairman

25 February 2022

OUTLOOK

2022 will continue to be a challenging year for the fruit planting and trading industry in the PRC. The ongoing impact of the COVID-19 pandemic is expected to continue to last throughout 2022, which means China's fruit planting and trading industry will continue to face operational difficulties.

Although the pandemic has been under control in China since 2021, regional outbreaks still occur. In response to that, local governments in China would adopt policies such as lockdown, thus having a significant impact on the retail industry, including fruit sales. In addition, the operations of the logistics industry in China need to take measures like disinfection in accordance with the government's COVID-19 containment regulations, which has caused inefficiency and additional costs. In other words, it has led to the longer time and higher cost of transporting fruits from the place of origin to the place of consumption and therefore has had a negative impact on the fruit planting and trading industry in China.

With the popularization of the vaccine and other factors, it is hopeful that the COVID-19 pandemic may be under control in the second half of 2022 and the Chinese fruit planting and trading industry is expected to restore growth then.

BUSINESS REVIEW

During the six months ended 31 December 2021 the ("**Review Period**"), the principal business activities of the Asian Citrus Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") include the Plantation Business and the Fruit Distribution Business (as defined below).

The Plantation Business is principally engaged in the planting, cultivation and sales of agricultural produce in the People's Republic of China (the "**PRC**") market (the "**Plantation Business**"). Currently, the agricultural produces, mainly oranges, are planted and cultivated by the Group at the Hepu Plantation located in Guangxi, the PRC (the "**Hepu Plantation**") and subsequently wholesaled to certain distributors in the PRC.

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

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

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

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

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

FINANCIAL REVIEW

Revenue

The Group recorded total revenue of approximately RMB90.6 million (six months ended 31 December 2020: RMB120.2 million) for the Review Period.

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

	For the six months ended 31 December		
	2021	2020	% Change
	RMB'000	RMB'000	
Plantation Business	**6,440**	6,373	1.1
Fruit Distribution Business	**84,142**	113,805	-26.1
Total	**90,582**	120,178	-24.6

For the Review Period, the Group recorded revenue of approximately RMB6.4 million (six months ended 31 December 2020: RMB6.4 million) from the Plantation Business during the harvest season of the winter oranges in the Hepu Plantation started and completed in December 2021. The revenue from the Plantation Business remained stable.

For the Review Period, the Group recorded revenue of approximately RMB84.1 million (six months ended 31 December 2020: RMB113.8 million) from the Fruit Distribution Business, representing a decrease of approximately 26.1% as compared to the corresponding period of last year. The decrease is mainly attributable to (i) difficulties faced by the Group in importing fruits from USA and Australia to the PRC; (ii) COVID-19 lockdown measures in countries and regions where the Group sourced fruits; (iii) global supply chain shortages indirectly caused by COVID-19 pandemic as a result of limited shipment containers offered by freight operators; and (iv) unfavourable weather in certain regions which adversely affected harvest of certain fruits, i.e. decrease in the quality as well as the selling prices of fruits.

Other income

For the Review Period, the Group recorded other income in the amount of approximately RMB5.7 million (six months ended 31 December 2020: RMB7.8 million), which were mainly generated from various business cooperation agreements with independent farmers.

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

For the Review Period, realised gain arising from change in fair value of the biological assets less costs to sell, which represented the net increase of fair value of the oranges when the Group's oranges became mature and were harvested, amounting to approximately RMB5.4 million (six months ended 31 December 2020: RMB5.1 million) was recognised.

Staff costs

For the Review Period, the staff costs of the Group amounted to approximately RMB3.5 million (six months ended 31 December 2020: RMB4.5 million). The decrease in staff costs by approximately 21.6% was mainly attributable to (i) the waiver of director emoluments given by an executive director of the Company as a voluntary contribution to curtail operating costs; and (ii) the reduction of the rental expenses for the directors' accommodation of the Company.

Distribution and other operating expenses

For the Review Period, the distribution and other operating expenses of the Group amounted to approximately RMB6.7 million (six months ended 31 December 2020: RMB0.8 million), which comprised of service charges for import of fruits and transportation expenses. The increase was mainly due to the increase in shipment and logistic costs stemmed from supply chain pressures as a result of regional lockdown measures and import restrictions.

General and other administrative expenses

For the Review Period, the general and other administrative expenses of the Group amounted to approximately RMB6.5 million (six months ended 31 December 2020: RMB5.4 million), which comprised primarily of office administration expenses, legal and professional fees, plantation security charges. The general and other administrative expenses increased by approximately 20.4% mainly due to a termination fee for the termination of a cooperation agreement with a farmer as a result of the change in certain kind of fruits to be planted by the Group under the Plantation Business.

Income tax expense

For the Review Period, income tax expense of the Group amounted to approximately RMB1.3 million (six months ended 31 December 2020: RMB2.3 million), which comprised the enterprise income tax charged and payable by the Group under the Fruit Distribution Business on the profit earned in the PRC.

RISK FACTORS

Plantation Business

Climate changes and natural disasters

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

Contractual arrangement at Hepu Plantation

The Hepu Plantation, which comprises farmland of approximately 46,000 mu located in Hepu County of Guangxi, is operated under a business cooperation agreement ending in 2050 (the "**Agreement**"). The Agreement was entered into between the Group and a cooperator (the "**Cooperator**") whereby the Cooperator would contribute farmland for use in the Plantation Business and the Group would be responsible for contributing those property, plant and equipment as well as providing and bearing the costs of fertilisers, pesticides, labour, technical support on cultivation and soil management. The Cooperator will be entitled to 10% of the income generated from the Hepu Plantation accordingly.

The Cooperator currently leases certain farmland from owners paying annual rent at rates, subject to periodic review and revision, based on a reasonable standard agreed upon in 2000 when China's economy was experiencing a stage of development with low price index. As China's economy has been developing rapidly in the last decade, the owners of the farmland have been repeatedly requesting an increase in rent via different means. In order to maintain a stable cooperation environment, the Cooperator has been negotiating through co-ordination with local government department and may likely to raise the rent to a desirable level in the near future. The rent raise will increase Hepu Plantation's operating costs and lower its profit level to a certain extent. However, the Company believes a reasonable increase in the rent will help to promote a harmonic cooperation environment between the Cooperator and the owners of the farmland to facilitate a smooth running of the Plantation Business.

Fruit Distribution Business

The COVID-19 pandemic and global logistic issues have continued to affect the economy of China. With a new strand of virus of COVID-19 spreading, many countries have continued to adopt lockdown and quarantine policies which posed unprecedented challenge on our business operation in global logistics, importing and exporting of fruits.

As the global economy may require more time to recover to the pre-pandemic levels, it makes the risks facing the Fruit Distribution Business in China in 2022 will be closely related to COVID-19. With the popularization of the vaccine and other factors, it is hopeful that the COVID-19 pandemic may be under control to a certain extent in the second half of 2022. As such, COVID-19 will have a continuing impact on the Fruit Distribution Business in China in 2022 mainly in the following ways:

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

(2) Since the COVID-19 outbreak in early 2020, a large number of small and medium-sized enterprises in China have closed down and the employment opportunity has reduced, the economy is still recovering and some Chinese residents have still not yet recovered to their expected income level in 2022. Consequently, consumer behavior will vary and people may be conservative in spending on expensive and premium-grade fruits.

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

As the challenges arising from the COVID-19 pandemic are unprecedented, the exact impact of the COVID-19 pandemic to the Chinese fruit planting and trading industry in 2022 cannot be predicted with certainty. The Group will remain cautiously optimistic that the overall business environment of the Chinese fruit planting and trading industry will improve after the easing of the COVID-19 pandemic.

Profit from operation and profit attributable to shareholders for the Review Period

For the Review Period, profit from operation of the Group and profit attributable to shareholders of the Company was approximately RMB1.4 million (six months ended 31 December 2020: RMB6.3 million), represented a decrease by approximately 88.0% as compared to the six months ended 31 December 2020, which was mainly due to the increase in distribution and other operating expenses as explained above.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the Review Period (six months ended 31 December 2020: Nil).

CAPITAL

As at 31 December 2021, the total number of issued shares of the Company (the "**Shares**") was 2,499,637,884 (30 June 2021: 2,499,637,884).

LIQUIDITY AND FINANCE RESOURCES

Liquidity

As at 31 December 2021, the Group did not have liabilities in respect of debt instruments nor bank borrowings. The net cash position of the Group was approximately RMB63.1 million as at 31 December 2021 (30 June 2021: RMB167.9 million).

As at 31 December 2021, the current ratio and quick ratio were 6.19 and 5.82 respectively (30 June 2021: 3.73 and 3.71 respectively).

Funding and treasury policy

During the Review Period, the Group had sufficient funds for its operation and would continue to adopt stringent cost control and conservative treasury policies in the running the businesses.

Charge on assets

None of the Group's assets were pledged as at 31 December 2021 (30 June 2021: Nil).

Capital commitments

As at 31 December 2021, the Group did not have any capital commitments (30 June 2021: RMB54.5 million).

FOREIGN EXCHANGE RISK

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

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

EMPLOYEES OF THE GROUP

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

As at 31 December 2021, the Group had 29 (30 June 2021: 28) permanent employees.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as at 31 December 2021 (30 June 2021: Nil).

OTHER SIGNIFICANT EVENTS

Acquisition of Land and Properties

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

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

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

Acquisition of Entire Equity Interest of an Enterprise in the PRC

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

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

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

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2021

	Note	Six months ended 31 December 2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Revenue	4	**90,582**	120,178
Other income	5	**5,652**	7,820
Cost of inventories used		**(77,913)**	(109,205)
Gain on bargain purchase	17	**158**	–
Realised gain arising from changes in fair value of biological assets less costs to sell		**5,395**	5,083
Depreciation of property, plant and equipment and right-of-use assets		**(4,391)**	(4,518)
Staff costs		**(3,540)**	(4,515)
Finance costs	6	**–**	(17)
Distribution and other operating expenses		**(6,705)**	(755)
General and other administrative expenses		**(6,500)**	(5,436)
Profit before tax	7	**2,738**	8,635
Income tax expense	8	**(1,315)**	(2,328)
Profit for the period attributable to owners of the Company		**1,423**	6,307
		RMB	RMB
Earnings per share	9		
– Basic and diluted		**0.06 cents**	0.50 cents

The accompanying notes form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2021

	Six months ended 31 December 2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Profit for the period	**1,423**	6,307
Other comprehensive income/(loss) for the period		
Item that may be reclassified subsequently to profit or loss:		
– Fair value changes on investment funds classified as financial assets at fair value through other comprehensive income	**794**	–
– Exchange differences on translation of financial statements of foreign operations, net of tax	**(1,202)**	283
Total comprehensive income for the period attributable to owners of the Company	**1,015**	6,590

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 (unaudited) RMB'000	30 June 2021 (audited) RMB'000
ASSETS			
Non-current Assets			
Property, plant and equipment	10	120,637	67,886
Financial assets at fair value through other comprehensive income		13,530	–
Other receivables	12	–	5,000
		134,167	72,886
Current Assets			
Biological assets	11	4,351	520
Inventories		1,536	994
Trade and other receivables	12	27,142	24,049
Tax recoverable		896	–
Cash and cash equivalents		63,118	167,876
		97,043	193,439
Total Assets		231,210	266,325
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	13	22,831	22,831
Reserves		192,712	191,697
Total Equity		215,543	214,528

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	**31 December 2021 (unaudited) RMB'000**	30 June 2021 (audited) RMB'000
LIABILITIES			
Current Liabilities			
Trade and other payables	14	**15,299**	11,535
Contract liabilities		**368**	39,411
Income tax payables		**–**	851
		15,667	51,797
Total Equity and Liabilities		**231,210**	266,325

The condensed consolidated financial statements on pages 11 to 32 were approved and authorised for issued by the board of directors on 25 February 2022 and are signed on its behalf by:

Ng Ong Nee
Director

Ng Hoi Yue
Director

The accompanying notes form part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

At 31 December 2021

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Fair value through other comprehensive income reserve RMB'000	Statutory reserve RMB'000 *(note (a))*	Exchange reserve RMB'000 *(note (b))*	Accumulated losses RMB'000	Total RMB'000
At 1 July 2021 (audited)	22,831	3,782,111	–	1,709	(2,850)	(3,589,273)	214,528
Profit for the period	–	–	–	–	–	1,423	1,423
Other comprehensive income/(loss)							
Fair value change on investment funds classified as financial assets at fair value through other comprehensive income	–	–	794	–	–	–	794
Exchange differences on translation of financial statements of foreign operations, net of tax	–	–	–	–	(1,202)	–	(1,202)
Total comprehensive income for the period	–	–	794	–	(1,202)	1,423	1,015
At 31 December 2021 (unaudited)	22,831	3,782,111	794	1,709	(4,052)	(3,587,850)	215,543

	Attributable to owners of the Company						
	Share capital RMB'000	Share premium RMB'000	Fair value through other comprehensive income reserve RMB'000	Statutory reserve RMB'000 *(note (a))*	Exchange reserve RMB'000 *(note (b))*	Accumulated losses RMB'000	Total RMB'000
At 1 July 2020 (audited)	12,340	3,711,195	–	1,000	(2,247)	(3,592,556)	129,732
Profit for the period	–	–	–	–	–	6,307	6,307
Other comprehensive income							
Exchange differences on translation of financial statements of foreign operations, net of tax	–	–	–	–	283	–	283
Total comprehensive income for the period	–	–	–	–	283	6,307	6,590
At 31 December 2020 (unaudited)	12,340	3,711,195	–	1,000	(1,964)	(3,586,249)	136,322

Notes:

(a) 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.

(b) The exchange reserve comprises all foreign exchange differences on translation of the financial statements of foreign operations.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2021

	Six months ended 31 December 2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Net cash used in operating activities	**(39,685)**	(11,792)
Investing activities		
Purchase of property, plant and equipment	**(51,171)**	(215)
Prepayment for purchase of property, plant and equipment	**–**	(5,000)
Proceeds from disposal of property, plant and equipment	**25**	240
Purchase of financial assets at fair value through other comprehensive income	**(12,720)**	–
Net cash inflow on acquisition of a subsidiary	**31**	–
Interest received	**82**	29
Net cash used in investing activities	**(63,753)**	(4,946)
Financing activities		
Repayment of principal portion of lease liabilities	**–**	(545)
Payment of interest on lease liabilities	**–**	(17)
Net cash used in financing activities	**–**	(562)
Net decrease in cash and cash equivalents	**(103,438)**	(17,300)
Cash and cash equivalents at beginning of the period	**167,876**	31,496
Effect of foreign exchange rate changes	**(1,320)**	(511)
Cash and cash equivalents at end of the period	**63,118**	13,685

1. BASIS OF PREPARATION

This interim financial information has been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim financial reporting* issued by the International Accounting Standards Board ("**IASB**") and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The interim financial information has been prepared under the historical cost convention, except that certain biological assets and financial assets are carried at their fair values. The principal accounting policies adopted in the preparation of this interim financial information are consistent with those followed by Asian Citrus Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") in their annual financial statements for the year ended 30 June 2021 (the "**2021 Financial Statements**"), except for the accounting policy changes that are expected to be reflected in the Group's annual consolidated financial statements for the year ending 30 June 2022. Details of the applications of amendments to International Financial Reporting Standards ("**IFRSs**") are set out in note 2.

The preparation of interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2021 Financial Statements. The condensed consolidated financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial information is unaudited, but has been reviewed by the Company's Audit Committee.

2. APPLICATIONS OF AMENDMENTS TO IFRSs

This interim financial information has been prepared in accordance with IAS 34 issued by the IASB and the applicable disclosure provisions of the Listing Rules. All IFRSs effective for the accounting period commencing on 1 July 2021 together with the relevant transitional provisions, have been adopted by the Group in the preparation of this interim financial information throughout the period covered in this report.

In the current period, the Group has applied the following amendments to IFRSs, which are effective for the Group's accounting period beginning on or after 1 July 2021.

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

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

2. APPLICATIONS OF AMENDMENTS TO IFRSs *(continued)*

New and amendments to IFRSs that are in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments[2]
Amendments to IFRS 3	Reference to the Conceptual Framework[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related Amendments[2]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[2]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[1]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2021[1]

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

3. SEGMENT INFORMATION

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

Plantation Business – Planting, cultivation and sale of agricultural produce

Fruit Distribution Business – Distribution of various fruits

3. SEGMENT INFORMATION *(continued)*

Segment results, assets and liabilities

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

	Plantation Business Six months ended 31 December		Fruit Distribution Business Six months ended 31 December		Total Six months ended 31 December	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	**2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000	**2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000
RESULTS						
Reportable segment revenue and revenue from external customers	**6,440**	6,373	**84,142**	113,805	**90,582**	120,178
Reportable segment results	**2,741**	4,653	**3,397**	7,546	**6,138**	12,199
Unallocated finance costs					**–**	(17)
Unallocated corporate expenses					**(4,873)**	(6,598)
Unallocated corporate income					**158**	723
Profit for the period					**1,423**	6,307

	Plantation Business		Fruit Distribution Business		Total	
	31 December 2021 (unaudited) RMB'000	30 June 2021 (audited) RMB'000	**31 December 2021 (unaudited) RMB'000**	30 June 2021 (audited) RMB'000	**31 December 2021 (unaudited) RMB'000**	30 June 2021 (audited) RMB'000
ASSETS						
Segment assets	**98,873**	107,097	**75,540**	83,492	**174,413**	190,589
Unallocated corporate assets					**56,797**	75,736
Total assets					**231,210**	266,325
LIABILITIES						
Segment liabilities	**(456)**	(1,421)	**(5,739)**	(43,708)	**(6,195)**	(45,129)
Unallocated corporate liabilities					**(9,472)**	(6,668)
Total Liabilities					**(15,667)**	(51,797)

3. SEGMENT INFORMATION *(continued)*

Other Segment Information

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

	Plantation Business Six months ended 31 December		Fruit Distribution Business Six months ended 31 December		Unallocated Six months ended 31 December		Total Six months ended 31 December	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	**2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000	**2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000	**2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000
Realised gain arising from changes in fair value of biological assets less costs to sell	**5,395**	5,083	**–**	–	**–**	–	**5,395**	5,083
Depreciation of property, plant, and equipment	**(3,920)**	(3,921)	**(442)**	(8)	**(29)**	(47)	**(4,391)**	(3,976)
Depreciation of right-of-use asset	**–**	–	**–**	–	**–**	(542)	**–**	(542)
Impairment losses (recognised)/ reversed in respect of trade and other receivables, net	**(548)**	(839)	**(1)**	596	**1**	–	**(548)**	(243)
Interest income	**29**	5	**53**	24	**–**	–	**82**	29
(Loss)/gain on disposal of property, plant and equipment	**–**	–	**–**	–	**(2)**	240	**(2)**	240
Additions to property, plant and equipment	**171**	215	**57,000**	–	**–**	–	**57,171**	215

Geographical information

Since over 90% of the Group's revenue and operating profit were generated in the People's Republic of China (the "**PRC**") for both periods and over 90% of the Group's non-current assets were located in the PRC, no geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

Information about major customers

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

	Six months ended 31 December	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Customer A[1]	**70,865**	16,109
Customer B[1]	**–**	28,813
Customer C[1]	**–**	14,084
Customer D[1]	**–**	13,808

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

Except disclosed above, no other customers contributed 10% or more to the Group's total revenue for both periods.

4. REVENUE

Disaggregation of revenue from contracts with customers:

	Plantation Business Six months ended 31 December		Fruit Distribution Business Six months ended 31 December		Total Six months ended 31 December	
	2021 (unaudited) RMB'000	2020 (unaudited) RMB'000	**2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000	**2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000
Sales of oranges and other fruits	**6,440**	6,373	**–**	–	**6,440**	6,373
Sales of other fruits	**–**	–	**84,142**	113,805	**84,142**	113,805
	6,440	6,373	**84,142**	113,805	**90,582**	120,178

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

5. OTHER INCOME

	Note	Six months ended 31 December **2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000
Management income	(i)	**5,273**	7,055
Interest income		**82**	29
Government subsidy	(ii)	**–**	135
Gain on disposal of property, plant and equipment		**–**	240
Sundry income		**297**	361
		5,652	7,820

Notes:

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

(ii) The Group recognised government grant of approximately RMB135,000 (equivalent to approximately HK$161,000) which related to Employment Support Scheme provided by the Hong Kong Government.

6. FINANCE COSTS

	Six months ended 31 December **2021 (unaudited) RMB'000**	2020 (unaudited) RMB'000
Interest on lease liabilities	**–**	17

7. PROFIT BEFORE TAX

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

		Six months ended 31 December 2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
(a)	**Staff costs (including directors' emoluments)**		
	– salaries, wages and other benefits	3,305	4,400
	– contribution to defined contribution retirement plans	235	115
		3,540	4,515
(b)	**Other items**		
	Auditors' remuneration		
	– Audit services	–	–
	– Non-audit services	–	–
		–	–
	Cost of agricultural produce sold	6,440	6,373
	Cost of fruits sold	71,473	102,832
	Depreciation of property, plant and equipment	4,391	3,976
	Depreciation of right-of-use assets	–	542
	Exchange loss, net	27	79
	Expenses relating to short-term lease	17	145
	Legal and professional fees	874	1,598
	Loss/(gain) on disposal of property, plant and equipment	2	(240)
	Office accommodation charges	1,078	–
	Plantation security charges	472	509
	Impairment loss recognised in respect of trade and other receivables, net	548	243

8. INCOME TAX EXPENSE

	Six months ended 31 December 2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Current tax		
PRC enterprise income tax	1,315	2,328

8. INCOME TAX EXPENSE *(continued)*

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

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

(ii) On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

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

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

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

(iv) PRC withholding income tax

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

* *For identification purposes only*

9. EARNINGS PER SHARE

The calculation of the earnings per share is based on the following data:

	Six months ended 31 December 2021 (unaudited) RMB'000	2020 (unaudited) RMB'000
Profit		
Profit attributable to owners of the Company used in basic and diluted earnings per share calculation	**1,423**	6,307
Weighted average number of shares	**'000**	'000
Weighted average number of ordinary shares used in basic and diluted earnings per share calculation	**2,499,638**	1,249,638

Note:

Diluted earnings per share were the same as basic earnings per share for the six months ended 31 December 2021 and 2020 as there were no potential ordinary shares for the purpose earnings per share calculation.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2021, the Group acquired items of property, plant and equipment with a cost of approximately RMB57,171,000 (six months ended 31 December 2020: RMB$215,000). The consideration was partially settled by (i) cash of approximately RMB51,171,000 and (ii) utilisation of prepayment for property, plant and equipment of RMB5,000,000. RMB1,000,000 remained unpaid and was included in trade and other payables as of 31 December 2021.

During the six months ended 31 December 2021, the Group disposed of property, plant and equipment with a carrying amount of approximately RMB27,000 (six months ended 31 December 2020: Nil) and received proceeds therefrom of approximately RMB25,000 (six months ended 31 December 2020: RMB240,000).

11. BIOLOGICAL ASSETS

	Six months ended 31 December 2021 (unaudited) RMB'000	Year ended 30 June 2021 (audited) RMB'000
At the beginning of the period/year	**520**	550
Increase due to the cultivation	**4,876**	10,813
Realised gain from changes in fair value less costs to sell	**5,395**	15,331
Decrease due to harvest	**(6,440)**	(26,174)
At the end of the period/year	**4,351**	520

11. BIOLOGICAL ASSETS *(continued)*

Notes:

(a) During the six months ended 31 December 2021, the Group harvested approximately 1,301 tonnes (six months ended 31 December 2020: 1,162 tonnes) of oranges. The fair value less costs to sell of oranges at the point of harvest was measured according to market prices as at or close to the harvest dates.

(b) All oranges were harvested annually from December to June. The growing oranges cultivated by the Agriculture Company were in premature stage as at 31 December 2021, future economic benefit and expected harvest quantity could not be reliably estimated for fair value measurement as this would involve adoption of subjective assumptions, such as weather conditions, natural disaster and effectiveness of fertilisers and pesticides. As such, the Directors 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, the oranges with carrying amount as at 31 December 2021 of approximately RMB4,351,000 (30 June 2021: RMB520,000) were stated at cost, representing cultivation cost incurred, mainly including fertilisers, pesticides and labour costs.

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

(1) Regulatory and environmental risks

The Group is subject to laws and regulations in the jurisdictions 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 the possible threats brought by 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.

12. TRADE AND OTHER RECEIVABLES

	Note	31 December 2021 (unaudited) RMB'000	30 June 2021 (audited) RMB'000
Trade receivables		**2,477**	4,166
Less: Allowance for expected credit losses		**(27)**	(71)
		2,450	4,095
Deposits paid and other receivables	*(i)*	**22,561**	19,471
Less: Allowance for expected credit losses		**(4,865)**	(4,273)
		17,696	15,198
Prepayment for property, plant and equipment	*(ii)*	**–**	5,000
Other prepayments		**6,996**	4,756
		24,692	24,954
Total trade and other receivables, net of allowance for expected credit losses		**27,142**	29,049
Analysed for reporting purposes as:			
Current assets		**27,142**	24,049
Non-current assets		**–**	5,000
		27,142	29,049

Notes:

(i) As at 31 December 2021, the deposits paid and other receivables mainly included (i) trade deposits of approximately RMB914,000 (30 June 2021: RMB4,699,000), which were refundable trade deposits paid to suppliers as prepayments for purchases for the Fruit Distribution Business; and (ii) amount due from the plantation co-operator, 利添生物科技發展(合浦)有限公司 (Lucky Team Biotech Development (Hepu) Limited*), of approximately RMB12,987,000 (30 June 2021: RMB10,366,000).

(ii) The amount represented prepayment paid for acquiring the entire interest in an industrial land and various buildings located in the PRC at a consideration of RMB57 million (the "**Acquisition of Target Land and Properties**"), which would be settled by cash pursuant to a sale and purchase agreement signed on 19 January 2021 between the Group and 高錫武 (Mr. Gao Xiwu*), an independent third party. The completion of the Acquisition of Target Land and Properties took place on 30 November 2021. Further details are disclosed in the Company's circular dated 16 March 2021 and the announcement dated 30 November 2021.

* *For identification purposes only*

12. TRADE AND OTHER RECEIVABLES *(continued)*

The following is an analysis of trade receivables, presented according to the invoice date, which approximates the respective revenue recognition dates and net of allowance for expected credit losses:

	31 December 2021 (unaudited) RMB'000	30 June 2021 (audited) RMB'000
Less than 3 months	2,450	4,095

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

13. CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

	Six months ended 31 December 2021 (unaudited)		Year ended 30 June 2021 (audited)	
	Number of shares	Carrying amount HKD'000	Number of shares	Carrying amount HKD'000
Ordinary shares of HKD0.01 each				
Authorised:				
At beginning of the period/year	5,000,000,000	50,000	2,000,000,000	20,000
Increase in authorised share capital	–	–	3,000,000,000	30,000
At end of the period/year	5,000,000,000	50,000	5,000,000,000	50,000
Issued and fully paid:				
At beginning of the period/year	2,499,637,884	24,996	1,249,637,884	12,496
Placing of shares	–	–	1,250,000,000	12,500
At end of the period/year	2,499,637,884	24,996	2,499,637,884	24,996
		(unaudited) RMB'000		(audited) RMB'000
Equivalent to		22,831		22,831

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

(b) Dividends

No dividend has been paid, declared or proposed by the Company during the six months ended 31 December 2021 (six months ended 31 December 2020: Nil).

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

(c) Capital management

The Group's capital is managed with a view 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 total equity presented on the face of the Group's condensed consolidated statement of financial position is regarded as capital for capital management purpose.

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

14. TRADE AND OTHER PAYABLES

	Note	**31 December 2021 (unaudited) RMB'000**	30 June 2021 (audited) RMB'000
Trade payables		**4,472**	4,187
Other payables and accruals	*(i)*	**10,702**	7,221
Amount due to a director		**125**	127
		15,299	11,535

Note:

(i) The amount included (a) balance of consideration payable of RMB2,250,000 (30 June 2021: Nil) for the Acquisition of the Target Company (as defined in Note 15) and other payable of approximately RMB3,982,000 (30 June 2021: Nil) due to the Vendor (as defined in Note 15); and (b) balance of consideration payable of RMB1,000,000 due to Mr. Gao Xiwu for the Acquisition of Target Land and Properties.

The average credit period granted by suppliers was 30 days.

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

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

	31 December 2021 (unaudited) RMB'000	30 June 2021 (audited) RMB'000
Within 3 months	**4,262**	3,425
Over 3 months but within 1 year	**1**	120
Over 1 year	**209**	642
	4,472	4,187

15. CAPITAL COMMITMENTS

	Note	**31 December 2021 (unaudited) RMB'000**	30 June 2021 (audited) RMB'000
Capital expenditure contracted for but not provided for:			
Acquisition of a subsidiary	*(i)*	–	2,500
Acquisition of property, plant and equipment		–	52,000
		–	54,500

Note:

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

The completion of the Acquisition of the Target Company took place on 21 December 2021 after the completion of transferring the title registration of Target Company to 深圳市晉達實業有限公司 (Shenzhen Jinda Industrial Limited*), a wholly-owned subsidiary of the Company designated by the Purchaser. Following the completion, the Target Company has become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the Group's financial statements.

For more details, the Acquisition of the Target Company was disclosed in the Company's announcements dated 29 June 2021 and 12 July 2021.

16. RELATED PARTY TRANSACTIONS

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

(a) Amount due to a director

Details of balances with a Director as at 31 December 2021 and 30 June 2021 are set out in Note 14.

(b) Office accommodation arrangement

Office accommodation charges disclosed in Note 7(b) included a sum of approximately RMB980,000 (six months ended 31 December 2020: Nil) in respect of a short-term arrangement for the provision of office accommodation and related facilities by a company of which (i) a substantial shareholder of the Company is the owner; and (ii) a member of the key management personnel of the Group is a director.

* *For identification purposes only*

16. RELATED PARTY TRANSACTIONS *(continued)*

(c) Key management personnel remuneration

Remuneration for key management personnel included in staff costs disclosed in Note 7(a) is as follows:

	Six months ended 31 December	
	2021	2020
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Short-term employee benefits	**1,266**	1,955
Contributions to defined contribution retirement plans	**7**	8
	1,273	1,963

17. ACQUISITION OF A SUBSIDIARY

On 21 December 2021, the Group completed the acquisition of 100% equity interest of the Target Company as disclosed in Note 15. The Target Company is principally engaged in mechanical and electrical equipment installation projects (excluding the installation and repair of power facilities); building renovation and decoration projects; sales, installation and on-site maintenance of metal and electric material products and mechanical equipment (excluding restricted items); sales, installation and on-site maintenance of air conditioners; and air-conditioning engineering design. The acquisition has been accounted for as acquisition of business using acquisition method.

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

Consideration transferred

	RMB'000
Cash	**2,500**

17. ACQUISITION OF A SUBSIDIARY *(continued)*

Consideration transferred *(continued)*

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

	RMB'000
Property, plant and equipment	3
Inventories	9
Trade and other receivables	6,915
Cash and cash equivalents	281
Trade and other payables	(4,550)
Net assets acquired	2,658
Gain on bargain purchase:	
Consideration transferred	2,500
Less: Fair value of identifiable net assets acquired	(2,658)
Gain on bargain purchase	(158)
Net cash inflow on acquisition of the Target Company	
Cash consideration paid	250
Less: Cash and cash equivalents acquired	(281)
Net cash inflow on the Acquisition of the Target Company	(31)

Impact of acquisition on the results of the Group

Included in the profit for the six months ended 31 December 2021 of the Group is a loss of approximately RMB11,000 attributable to the additional business generated by the Target Company during the period from 21 December 2021 to 31 December 2021. There was no material revenue generated from the Target Company's business for the period from 21 December 2021 to 31 December 2021.

Had the acquisition of the Target Company occurred on 1 July 2021, the pro-forma revenue of the Group for the six months ended 31 December 2021 would have been approximately RMB178,644,000, of which approximately RMB84,661,000 was generated form the Vendor, and the pro-forma profit of the Group for the six months ended 31 December 2021 would have been approximately RMB1,740,000. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition occurred on 1 July 2021, nor is it intended to be a projection of future results.

18. MAJOR NON-CASH TRANSACTIONS

Saved as disclosed elsewhere in the condensed consolidated financial statements, there were no other major non-cash transactions during the six months ended 31 December 2021 and 2020.

19. EVENTS AFTER THE REPORTING PERIOD

There was no significant event took place after the end of the reporting period.

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

As at 31 December 2021, the interests or short positions of the Directors and the Chief Executives of the Asian Citrus Holdings Limited (the "**Company**") in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "**SFO**")), which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), were as follows:

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

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

Save as disclosed above, none of the Directors, the Chief Executives 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 31 December 2021 as recorded in the register to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2021, so far as is known to the Directors, the substantial shareholders and persons or companies (other than the Directors and the Chief Executives of the Company) who/which had an interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed under the provision of Division 2 and 3 of Part XV of the SFO, or which would be required, to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

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

Notes:

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

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

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

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

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

SHARE OPTION SCHEME

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

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

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

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

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

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

No share option was granted, cancelled or exercised or lapsed pursuant to the 2020 Share Option Scheme during the six months ended 31 December 2021 and none of the Directors or Chief Executives of the Company or their respective spouses or children under 18 years of age were granted or exercised any right to subscribe for any equity or debt securities of the Company or any of its associated corporations within the meaning of the SFO.

As at 31 December 2021, the total number of shares available for issue under the 2020 Share Option Scheme shall be 124,963,788, representing approximately 5% of the entire issued share capital of the Company, and the Company had no outstanding share options under the 2020 Share Option Scheme.

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

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

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

As at 31 December 2021, approximately HK$82.5 million of the Net Proceeds had been utilised by the Group and approximately HK$12.2 million remained unutilised. There has been no change in the intended use of Net Proceeds as previously disclosed, and the Group expects to fully utilise the residual amount of the Net Proceeds in accordance with such purposes within a year. The unutilised Net Proceeds were placed with banks in Hong Kong.

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

Use of the Net Proceeds		Planned	Actual	Unutilised
			HK$'000 (Approximate percentage of the Net Proceeds)	
(A)	Financing of the consideration in respect of the acquisition of the Land and Properties	68,400 (72.2%)	67,200 (71.0%)	1,200 (1.2%)
(B)	Refurbishment of the Land and Properties	11,000 (11.6%)	– (0.0%)	11,000 (11.6%)
(C)	Working capital of the Group for daily operations	15,300 (16.2%)	15,300 (16.2%)	– (0.0%)
Total		94,700 (100.0%)	82,500 (87.2%)	12,200 (12.8%)

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 of any of such listed securities during the six months ended 31 December 2021.

CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2021, the Directors, where practicable, sought to adopt the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

The Company has complied with all the Code Provisions of the CG Code, except for the following deviations from the amended CG Code which came into effect on 1 January 2022:

Code Provision B.3.1

The Company does not have a nomination committee. The Directors considered that, given the size of the Group and current stage of its development, it was not necessary to have a nomination committee as the Board composition was kept under regular review by the Board together with the plans for orderly succession to the Board and its structure, size and composition. The Board has adopted a nomination policy which sets out the relevant appointment criteria and, in case of the INEDs, the independence requirements set out in the Listing Rules. Nomination of new Director(s) will normally be made by the Executive Directors and is subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

The Board is identifying suitable candidates with appropriate background and qualification for appointment as INEDs to fill the vacancies within three months after the retirement of Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han on 30 December 2021; and is going to establish a nomination committee by the end of March 2022.

Code Provision C.2.1

Mr. Ng Ong Nee, the Chief Executive Officer of the Company, was appointed as Chairman of the Board 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 Board which comprises experienced and high caliber individuals with sufficient number thereof being Independent Non-executive Directors ("**INEDs**").

Code Provision C.1.6

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

Code Provision F.2.2

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealings in its securities. Following a specific enquiry made to all Directors by the Company, each of them has confirmed that he had fully complied with the required standard as set out in the Model Code throughout the six months ended 31 December 2021.

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

Change in the composition of the Board during the six months ended 31 December 2021 and up to the date of this report are as follows:

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

Change in other position of the Directors during the six months ended 31 December 2021 upon the Retirement of INEDs are as follows:

(a) Dr. Lui Ming Wah, PhD, SBS, JP ceased to be a member of the audit committee of the Company (the "**Audit Committee**") and the remuneration committee of the Company (the "**Remuneration Committee**").

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

Following the Retirement of INEDs and up to the date of this report:

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

(b) the number of independent non-executive Directors and the number of members of the Audit Committee fell below the minimum number required under Rules 3.10(1) and 3.21 of the Listing Rules respectively; and

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

The Board is identifying suitable candidates with appropriate background and qualification for appointment as independent non-executive Directors to fill the vacancies as soon as possible and in any event within three months as required under Rule 3.11 of the Listing Rules. Further announcement(s) will be made in relation to such appointments as and when appropriate.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee comprises three INEDs as members at most of the time during the six months ended 31 December 2021, namely Mr. Liu Ruiqiang (acting as chairman of the committee), Dr. Lui Ming Wah, PhD, SBS, JP (retired on 30 December 2021) and Mr. Yang Zhen Han (retired on 30 December 2021).

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 relating to the interim financial statements, and monitoring the accounting, internal control and risk management systems in use throughout the Group for the six months ended 31 December 2021.

Mr. Liu Ruiqiang, the sole member of the Audit Committee for the time being, has reviewed with the management regarding the accounting principles and practices adopted by the Group and has also discussed the internal control and financial reporting matters, including the review of the Group's unaudited consolidated financial statements and interim report for the six months ended 31 December 2021.

PUBLICATION OF INTERIM REPORT

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

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

Hong Kong, 25 February 2022

COMPANY INFORMATION

DIRECTORS

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

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

Independent Non-executive Director
Mr. LIU Ruiqiang

COMPANY SECRETARY

Miss NG Ling Ling

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

1/F., Ching Cheong Industrial Building
1–7 Kwai Cheong Road, Kwai Chung
New Territories, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton
Bermuda HM11

AUDITORS

HLB Hodgson Impey Cheng Limited
31/F., Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

BERMUDA AND BVI LEGAL ADVISER

Conyers Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central, Hong Kong

JERSEY SHARE REGISTRAR

Computershare Investor Services (Jersey) Limited
Computershare Channel Islands
13 Castle Street
St. Helier, Jersey CI, JE1 1ES

BERMUDA SHARE REGISTRAR

MUFG Fund Services (Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

The Stock Exchange of Hong Kong Limited: 73

WEBSITE

www.asian-citrus.com