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ASIAN CITRUS HOLDINGS LIMITED

亞洲果業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 73)

ANNOUNCEMENT OF THE INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The board (the “**Board**”) of directors (the “**Directors**”) of Asian Citrus Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 31 December 2018 (the “**Review Period**”) together with its comparative figures for the six months ended 31 December 2017.

RESULTS OF OPERATIONS

	For the six months ended 31 December		% change
	2018 (unaudited) (RMB Million)	2017 (unaudited) (RMB Million)	
Reported financial information			
Revenue	9.4	–	100.0
Other income	8.5	3.2	165.6
EBITDA	-5.7	-181.8	-96.9
Loss before tax	-11.2	-186.5	-94.0
Loss attributable to shareholders	-11.2	-186.5	-94.0
Basic loss per share (RMB)	-0.009	-0.149	-94.0

FINANCIAL POSITION

	31 December 2018 (unaudited) (RMB Million)	30 June 2018 (audited) (RMB Million)
Total assets	132.7	167.0
Net current liabilities	-542.8	-530.1
Cash and cash equivalents	21.1	54.7
Shareholders’ fund	-454.3	-433.3
Current ratio (x)	0.08	0.12

CHAIRMAN’S STATEMENT

On behalf of the Board of the Company, I wish to report the Group’s latest development and the interim results of the Group for the Review Period.

BUSINESS REVIEW

Year 2018 was a stormy year. There were horrible natural disasters in various countries, continuous global political upheavals and international arguments and tariffs, especially the trade war between the People’s Republic of China (the “**PRC**” or “**China**”) and the United States. Economic growth of China had also slowed in the fourth quarter of the year 2018. Besides these macroeconomic factors, the harvest season of the oranges in the Hepu Plantation started in December 2018. The total revenue of the Group was RMB9.4 million during the Review Period, among which, the trading of high-quality fruit commenced to generate contribution.

With the perseverance effort of the Directors and senior management of the Company, the Group took drastic steps during the past two years, such as the deconsolidation of the uncooperative subsidiaries in the PRC and the restructure of the Group, and had overcome tremendous difficulties and hurdles since September 2016 after the outbreak of the Beihai Minority Disputes (details of which are disclosed in the sub-section titled the same under the section headed “Other Significant Events” in the Management Discussion & Analysis). Eventually, the Group has passed through the darkness towards the morning and is expecting to face the first beam of the dawn. The Company had identified a potential purchaser to acquire certain deconsolidated subsidiaries of the Group and subsequently made a breakthrough step in entering into a conditional sale and purchase agreement to dispose of those deconsolidated subsidiaries to that potential purchaser. Details of such disposal was disclosed in the Company’s announcement dated 21 January 2019 and also under the section headed “Significant Event after the Reporting Period” in the Management Discussion & Analysis.

PROSPECTS

The Group continues to develop its principal business in planting, cultivation and sales of agricultural produce by producing and selling high-quality fruit in the market of the PRC. The Group will diversify its agricultural products offering by planting more varieties of seasonal fruit during the suitable season to maximize the annual output capacity of the Hepu Plantation.

On top of the existing wholesale channel for majority agricultural products of the Company in the top-tier markets in the PRC, the Group will put more effort to strengthen its fruit distribution operation strategically by expanding the distribution channels and networks, which can facilitate the access of the potential customers across different provinces in the PRC.

In addition, the Group will continue to identify attractive investment and acquisition opportunities to increase the profitability and shareholders’ value of the Company in the foreseeable future.

APPRECIATION

On behalf of the Board, I would like to express our sincerest gratitude to our valued shareholders, customers and business partners for your persistent support and trust in the Company. I would also like to express our 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 the financial year of 2019 onwards.

Ng Ong Nee
Chairman

28 February 2019

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in the business of planting, cultivation and sale of agricultural produce during the Review Period.

During the Review Period, the agricultural business of the Group was operated by two major subsidiaries, Guangxi Hepu Guanhua Agriculture Co., Ltd.* (廣西合浦冠華農業有限公司) (the “**Agriculture Company**”) and Lucky Team Biotech Development (Hepu) Limited* (利添生物科技發展(合浦)有限公司) (“**Lucky Team Hepu**”), and a new subsidiary, Shenzhen First Class Fruits Company Limited (深圳市冠華水果商城有限公司), in the PRC.

The Group recorded a revenue amounted to RMB9.4 million for the Review Period (six months ended 31 December 2017: Nil), representing an increase of 100% when compared to the corresponding period of last year.

On one hand, the Group continued to adopt stringent control on the cultivation costs and other administrative expenses and on the other hand, the Group adopted new business model for the existing business segment. The new subsidiary was established in Shenzhen, the PRC, serving as a new fruit distribution platform of the Group (the “**Fruit Distribution Platform**”). The Fruit Distribution Platform commenced operation in September 2018 to distribute various high-quality fruit in the PRC and is still at the development stage. The Group will continue to put more effort in the Fruit Distribution Platform and plans to distribute more high-quality fruit sourced from different channels in nearby Asian countries and other provinces in the PRC.

FINANCIAL REVIEW

Revenue

Since the harvest season of the oranges in Hepu Plantation started in December 2018 and the Fruit Distribution Platform generated contribution to the revenue of the Group, the Group recorded a revenue of RMB9.4 million for the Review Period (six months ended 31 December 2017: Nil).

Other Income

During the Review Period, the Group recorded other income in the amount of RMB8.5 million (six months ended 31 December 2017: 3.2 million) of which RMB8.4 million (six months ended 31 December 2017: Nil) was generated from various business cooperation agreements with independent farmers.

Distribution and other operating expenses

During the Review Period, the distribution and other operating expenses of the Group amounted to RMB0.7 million (six months ended 31 December 2017: RMB0.1 million) which comprised of direct harvest and processing-related expenses.

General and administrative expenses

For the Review Period, the general and administrative expenses of the Group amounted to RMB21.4 million (six months ended 31 December 2017: RMB10.9 million) which comprised primarily of salaries, office administration expenses, depreciation charges and legal and professional fees. These expenses increased by 96.3% from RMB10.9 million, mainly attributed to (i) the expenses incurred from the completion of acquisition of the Agricultural Company and the resumption of control of Lucky Team Hepu in late 2017 respectively, (ii) the written off of certain property, plant and equipment located at the Hepu Plantation due to the leasing arrangement of certain area and (iii) the expenses incurred relating to the new Fruit Distribution Platform established in April 2018.

Change in fair value of biological assets less costs to sell

For the Review Period, the Group recognised a change in fair value of the biological assets less costs to sell amounting to RMB1.5 million (six months ended 31 December 2017: RMB22.3 million) which represented the net increase of fair value less costs to sell of the oranges when the Group's oranges become mature and are harvested.

Loss from operation and loss attributable to shareholders for the Review Period

For the Review Period, both loss from operation of the Group and loss attributable to shareholders of the Company were RMB11.2 million (six months ended 31 December 2017: RMB186.5 million). The significant decrease was due to the absence of the loss arising from the re-consolidation of Lucky Team Hepu.

DIVIDEND

The Board of the Company did not recommend the payment of an interim dividend for the Review Period (six months ended 31 December 2017: Nil).

CAPITAL

As at 31 December 2018, the total number of issued shares of the Company was 1,249,637,884 shares.

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

Liquidity

As at 31 December 2018, the current ratio and quick ratio were 0.08 and 0.04 respectively (30 June 2018: 0.12 and 0.10 respectively).

Gearing ratio and debt ratio

As at 31 December 2018, the Group did not incur any debt instruments nor any bank borrowings. The net cash position of the Group was approximately RMB21.1 million as at 31 December 2018 (30 June 2018: RMB54.7 million).

Funding and treasury policy

During the Review Period, the Group had sufficient funds for the 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 bank borrowings as at 31 December 2018 (30 June 2018: Nil).

Charge on assets

None of the Group's assets were pledged as at 31 December 2018.

Capital commitments

As at 31 December 2018, the Group had capital commitments amounted to RMB12.8 million (30 June 2018: RMB13.8 million), 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 performance-linked and business performance, market practices and competitive market conditions are all taken into consideration in determining remuneration. Remuneration packages, which are reviewed annually, include salaries/wages and other employee benefits, such as accommodation, discretionary bonuses, mandatory provident fund contributions and share options.

As at 31 December 2018, the total headcount of the Group not including the employees of the deconsolidated PRC subsidiaries, was 97 (30 June 2018: 93).

CONTINGENT LIABILITIES

Due to the Beihai Minority Disputes (details of which are disclosed in the sub-section titled the same 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 on The Stock Exchange of Hong Kong Limited (the “**HKEx**”) (“**Hong Kong Listing Rules**”). 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 interim financial information of the Group for the Review Period.

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 announcement, the contingent liabilities of those deconsolidated subsidiaries for the Review Period 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 sub-section titled “Legal Cases of Deconsolidated Subsidiaries” under the section headed “Other Significant Events”, to the best knowledge and information of the Directors, the Company did not have any contingent liabilities as at 31 December 2018.

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 of 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 of 2015/16 onwards;
- (ii) Engaged PRC legal professional to enforce the shareholders’ right and information rights of the Group over those deconsolidated PRC subsidiaries;
- (iii) Revised and strengthened the internal control and risk management systems and engaged an independent professional to review those systems of the Group periodically;
- (iv) Engaged PRC legal professional to review and add/revise clause(s) to/of 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) Proceeded to restructure the Group and to dispose of certain subsidiaries to an independent third party with a view to streamline the operation of Group and to strengthen its financial position. Details of the disposal of certain subsidiaries were disclosed under the section headed “Significant Event after the Reporting Period”.

Other significant events

(1) The Beihai Minority Disputes

As disclosed in the annual reports of the Company for the financial years ended 30 June 2016, 2017 and 2018, 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) Man Guifu* (滿桂富) (“**Man Guifu**”), 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 of the Group, 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, Chen Deqiang* (陳德強) (“**Chen Deqiang**”), 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 certain PRC subsidiaries 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 them to form their audit opinion on the Group’s consolidated financial statements for the years ended 30 June 2016, 2017 and 2018. The auditors of the Company also required performance of additional audit procedures, however, Man Guifu 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 those 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 years ended 30 June 2016, 2017 and 2018, 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, 29 June 2018, 1 August 2018, 1 November 2018, 15 January 2019 and 1 February 2019 respectively.

(2) *Suspension of Trading on the HKEx*

On 29 September 2016, at the request of the Company, trading in the shares of the Company (the "Shares") 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.

As at the date of this announcement, the Group's annual results for the year ended 30 June 2016 had been released by the Company; trading in the Shares remains suspended pending the fulfilment of other resumption conditions referred to in the section headed "Conditions for Resumption of Trading of Shares of the Company".

(3) *Resumption of the legal and physical control of Lucky Team Hepu since 28 September 2017*

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.

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 and the Company's annual report for the financial year of 2017/18 respectively.

(4) *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 Man Guifu had commenced legal proceedings against a subsidiary of the Company alleging that Man Guifu 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, Man Guifu and the original shareholders of Beihai Perfuming Garden in February 2010 (the "**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 company 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 the 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.

In January 2019, the Company was notified of a judgment (the "**First Instance Judgment**") issued by Beihai City Intermediate People's Court (北海市中級人民法院), after attending a court hearing held on 20 December 2018, pursuant to which the court ruled, among others, that Man Guifu was entitled to 46.14% equity interests in Beihai Perfuming Garden held by Chance Lead Holdings Limited ("**Chance Lead**", an indirect wholly-owned subsidiary of the Company), and that Chance Lead should cooperate with Man Guifu to effect the equity transfer registration. As advised by the PRC legal adviser of the Company, the plaintiff or the defendant to the First Instance Judgment could submit a request for appeal within the prescribed time period (the "**Appeal Period**"). If no appeal was filed within the Appeal Period, the First Instance Judgment should have become effective following the lapse of the Appeal Period. Since the Company was not aware of the contractual arrangements giving rise to the BPG Shareholders Dispute, the Company lodged a request for appeal of the rulings of the First Instance Judgment on 11 February 2019 and continued to defend its position vigorously.

2. Information rights proceedings relating to Tianyang Perfuming Garden

On 20 November 2017, the Company received a PRC court order (the "**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 15 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 TPG Order by the last party (the "**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 became final and conclusive.

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 received a court order (the "**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 30 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 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 (the “**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.

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 (the “**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 (the “**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

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 related to the fact 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 Huang Xin, Pang Yi, Man Guifu and 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 took 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, 1 August 2018, 1 November 2018, 15 January 2019 and 1 February 2019 respectively.

(5) *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. As the outstanding payment in the amount of RMB1,312,750 was not considered material by the Board, no announcement was made regarding this Contractual Dispute.

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**”), which is mainly engaged in pesticide trading business while Lucky Team Hepu was the defendant and had purchased pesticide from GZ Company. The Contractual Dispute 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.

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 has ceased and was withdrawn with effect from the same date.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

Very Substantial Disposal in relation to Disposal of Subsidiaries

On 21 January 2019, a wholly-owned subsidiary of the Company, A-One Success Limited (“**A-One**”), entered into a sale and purchase agreement (the “**SPA**”) with an independent third party, Mr. Zhou Jianjun (“**Mr. Zhou**”). Pursuant to the SPA, A-One conditionally agreed to sell to Mr. Zhou the entire issued share capital of BPG Food & Beverage Holdings Ltd. (the “**Target Company**”), a wholly-owned subsidiary of the Company, at the aggregate consideration of RMB5,000,000 (equivalent to approximately HK\$5.8 million) (the “**Disposal**”). In addition, A-One also conditionally agreed to transfer and novate to Mr. Zhou an assumed debt which was the indebtedness owing by A-One to the Target Company as at the completion date of the Disposal. Upon completion, all members of the target group (i.e. the Target Company and its subsidiaries) would cease to be subsidiaries of the Group and their financial results would no longer be consolidated into the financial statements of the Group. As at the date of this announcement, the assumed debt amounted to approximately RMB279.5 million (equivalent to approximately HK\$326.6 million).

Pursuant to Rule 14.06(4) of the Hong Kong Listing Rules, the Disposal would constitute a very substantial disposal for the Company and was subject to reporting, announcement, circular and shareholders’ approval requirement under Chapter 14 of the Hong Kong Listing Rules.

It was estimated that the Company would recognise an unaudited gain on completion of the Disposal of approximately RMB576.5 million (equivalent to approximately HK\$673.6 million) for the year ending 30 June 2019. The estimated gain was calculated with reference to the total consideration for the sale shares of RMB5.0 million (equivalent to approximately HK\$5.8 million), the discharge of the assumed debt of approximately RMB279.5 million (equivalent to approximately HK\$326.6 million) and deducting the net liabilities of the target group of approximately RMB292.0 million (equivalent to approximately HK\$341.2 million).

Details of the Disposal was disclosed in the Company’s announcement dated 21 January 2019.

CONDITIONS FOR RESUMPTION OF TRADING OF SHARES OF THE COMPANY ON THE HKEX

At the request of the Company, trading in the Shares on the HKEx was suspended with effect from 9:00 a.m. (Hong Kong time) on Thursday, 29 September 2016. Trading in the Shares 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 conditions (i) that the Company is required to demonstrate its compliance with Rule 13.24 of the Hong Kong Listing Rules; and (ii) that the Company is required to 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 announcement, 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.

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 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 Hong Kong 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 give its 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 31 December 2018

		Six months ended 31 December	
		2018	2017
	<i>Note</i>	(unaudited) <i>RMB'000</i>	(unaudited) <i>RMB'000</i>
Revenue	5	9,354	–
Other income	6	8,480	3,248
Cost of inventories used		(8,402)	–
Gain on bargain purchase	15	–	30,691
Loss arising on re-consolidation of a deconsolidated subsidiary		–	(231,718)
Change in fair value of biological assets less costs to sell		1,451	22,295
Distribution and other operating expenses		(731)	(106)
General and administrative expenses		(21,381)	(10,868)
		<hr/>	<hr/>
Loss before tax	7	(11,229)	(186,458)
Income tax expense	8	–	–
		<hr/>	<hr/>
Loss for the period attributable to owners of the Company		(11,229)	(186,458)
		<hr/>	<hr/>
		RMB	RMB
Loss per share	9		
– Basic and diluted		(0.009)	(0.149)
		<hr/>	<hr/>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 31 December 2018

	Six months ended	
	31 December	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Loss for the period	(11,229)	(186,458)
Other comprehensive loss for the period		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation of financial statements of foreign operations, net of tax	<u>(9,790)</u>	<u>(5,868)</u>
Total comprehensive loss for the period attributable to owners of the Company	<u>(21,019)</u>	<u>(192,326)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	<i>Note</i>	31 December 2018 (unaudited) RMB'000	30 June 2018 (audited) RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		<u>88,565</u>	<u>96,822</u>
		<u>88,565</u>	<u>96,822</u>
Current assets			
Biological assets		12,574	6,595
Inventories		6,210	3,609
Trade and other receivables	11	4,329	5,204
Cash and cash equivalents		<u>21,069</u>	<u>54,743</u>
		<u>44,182</u>	<u>70,151</u>
Total assets		<u>132,747</u>	<u>166,973</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital		12,340	12,340
Reserves		<u>(466,615)</u>	<u>(445,596)</u>
Capital deficiency		<u>(454,275)</u>	<u>(433,256)</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	<u>587,022</u>	<u>600,229</u>
Total liabilities		<u>587,022</u>	<u>600,229</u>
Total liabilities, net of capital deficiency		<u>132,747</u>	<u>166,973</u>
Net current liabilities		<u>(542,840)</u>	<u>(530,078)</u>
Total assets less current liabilities		<u>(454,275)</u>	<u>(433,256)</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

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 are listed on the Main Board of 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.

The principal activity of the Company and its subsidiaries are planting, cultivation and sale of agricultural produce, trading of fruit and manufacture and sale of fruit juice concentrates, fruit purees, frozen fruit and vegetables.

The condensed 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.

2. BASIS OF PREPARATION

The interim financial information as at and for the six months ended 31 December 2018 comprise the Company and its subsidiaries (collectively referred as to the “**Group**”).

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 that it has received written correspondences which appeared to be sent by a person named Chen Deqiang, who is a finance manager of certain PRC subsidiaries of the Company and asserted in the correspondence that he was acting on behalf of Man Guifu, who (1) is a minority shareholder, director and general manager of Beihai Perfuming Garden, a PRC subsidiary of the Company; and (2) holds 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 (“**Chen Deqiang'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 Man Guifu's representative, the Auditors have arranged to meet Man Guifu in the office of the Auditors' legal adviser (the “**Meeting**”). A man who claimed to be Man Guifu 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 Hepu, a PRC subsidiary of the Company (“**Man Guifu's Allegation**”).

In June 2017 the Company was made aware of service of proceedings from a court in the PRC whereby Man Guifu had commenced legal proceedings against 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 interest in Beihai Perfuming Garden to him pursuant to certain contractual arrangements alleged to have been executed by Chance Lead, Man Guifu 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, 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’s understanding of the allegations is that Tianyang Perfuming Garden had allegedly entered into a loan facility agreement with a person called Xue Zhen* (薛珍) on 1 June 2016 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, Chen Deqiang’s Allegation and Man Guifu’s Allegation are collectively referred to as the “**Allegations**”). 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 interim financial information, Tianyang Perfuming Garden (which to the Company’s knowledge its senior management includes Huang Xin, Pang Yi, Man Guifu and 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.

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 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 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 communications with Man Guifu and Chen Deqiang 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 implementation of such changes may take prolonged time and cause undue delay. Up to the date of approval of the interim financial information, (i) the Group has not yet received any of the requested information from Man Guifu and Chen Deqiang in respect of the Allegations which are required for the proper finalisation of the interim financial information 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 occurrences 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 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 Company and is against the interests of its 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 Man Guifu, Chen Deqiang 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 six months ended 31 December 2018, 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 the six months ended 31 December 2018 for the Group on a consolidated basis or to obtain sufficient documentary information to satisfy themselves regarding the treatment of the transactions during the period and various balances of the Group and the PRC Subsidiaries as at 31 December 2018. As of the date of approval of this interim financial information, 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 the six months ended 31 December 2018, 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.

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 as at 1 July 2015. This loss had been recognised in the consolidated statement of profit or loss for the year ended 30 June 2016 and presented as loss arising from the Incidents.

In the opinion of the directors of the Company, the interim financial information of the Group as at and for the six months ended 31 December 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 interim financial information only represents such information as reported in the interim financial information of the Group for the six months ended 31 December 2017 and therefore may not be comparable with the figures for the current period.

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 six months ended 31 December 2018:

- 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”.

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 six months ended 31 December 2018 have been properly reflected in the interim financial information. In this connection, the Board is also unable to represent as to the completeness, existence and accuracy of identification and the disclosures of segment information in note 4, revenue in note 5, other income in note 6, loss before tax in note 7, income tax expense in note 8, loss per share in note 9, property, plant and equipment, biological assets, inventories, trade and other receivables in note 11, capital, reserves and dividends, trade and other payables in note 12, commitments in note 13, related party transactions and events after the reporting period in note 14, 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, required adjustments have been put through in the interim financial information for the six months ended 31 December 2018. Since the communication with Man Guifu and Chen Deqiang and formal legal procedures are still ongoing, any further adjustments and disclosures, if required, would be made in the interim financial information of the Group as and when the outcome of the above uncertainties is known and the consequential adjustments and disclosures are identified.

In August 2017, the legal representative of Lucky Team Hepu passed away. 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 records, 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 thereafter. Further details are disclosed in the Company’s announcement dated 31 October 2017, 30 November 2017 and 28 December 2017.

On 3 January 2017, the Group entered into a sale and purchase agreement with an independent third party to acquire 100% equity interest in 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 interest of the Agriculture Company changed to the Company’s wholly-owned subsidiary and the legal representative of the Agriculture Company changed to the Company’s nominated representative and 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 six months ended 31 December 2018, the Group incurred loss of approximately RMB11,229,000 and as of that date, the Group's total liabilities exceeded its total assets by approximately RMB454,275,000. 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 results, the interim financial information has 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 interim financial information 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 interim financial information.

3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

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 (the "IASB"), the applicable disclosure provisions of the Hong Kong Listing Rules. All IFRSs effective for the accounting period commencing on 1 July 2018, 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 announcement.

In the current period, the Group has adopted the following new and amendments to IFRSs, which are effective for the Group's accounting period beginning on or after 1 July 2018.

IFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
IFRS 4 (Amendments)	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers
IFRS 15 (Amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customers
IAS 40 (Amendments)	Transfers of Investment Property
IFRIC 22	Foreign Currency Transactions and Advance Consideration

The adoption of these new and amendments to IFRSs had no significant effect on the financial results of the current period, including IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" as described below.

IFRS 9 "Financial instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information.

Management has closely monitored the credit qualities and the collectability of the trade receivables and considers that the expected credit loss is immaterial. Trade receivables in dispute are assessed individually for impairment allowance and determined whether specific provisions are required. The adoption of the simplified expected credit loss approach under IFRS 9 has not resulted in any additional impairment loss for trade receivables as at 1 July 2018.

The adoption of IFRS 9 does not have a significant impact on the financial assets of the Group.

IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 and the related clarification to IFRS 15 (hereinafter referred to as “**IFRS 15**”) presents new requirements for the recognition of revenue, replacing IAS 18 “Revenue”, IAS 11 “Construction Contracts”, and several revenue-related Interpretations. IFRS 15 establishes a single comprehensive model that applies to contracts with customers and two approaches to recognise revenue: at a point in time or over time.

If control of the goods and service transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

A contract asset is the Group’s right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due from the customer).

The adoption of IFRS 15 does not have a significant impact on when the Group recognises revenue from sales of goods.

The Group has not applied or early adopted the new and amendments to IFRSs which are relevant to the Group that have been issued but are not yet effective in the preparation of this interim financial information and is in the process of making an assessment of what the impact of these new and amendments standards is expected to be in the period of initial application.

4. 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 which was engaged in the planting, cultivation and sale of agricultural produce and the trading of fruit, generating revenue of RMB9,354,000 therefrom during the six months ended 31 December 2018.

Geographical information

Information about the Group's revenue 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	
	Six months ended 31 December 2018 (unaudited) RMB'000	2017 (unaudited) RMB'000	As at 31 December 2018 (unaudited) RMB'000	As at 30 June 2018 (audited) RMB'000
Hong Kong	–	–	1,549	2,643
The PRC	9,354	–	87,016	94,179
	<u>9,354</u>	<u>–</u>	<u>88,565</u>	<u>96,822</u>

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	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Customer A	2,636	–
Customer B	1,905	–
Customer C	1,303	–
Customer D	1,169	–
	<u>1,169</u>	<u>–</u>

5. REVENUE

	Six months ended 31 December	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Sales of oranges	6,922	–
Sales of other fruit	2,432	–
	<u>9,354</u>	<u>–</u>

Included in the sales of oranges of RMB2,940,000 was revenue from oranges sold as soon as they were harvested which represented the fair value of agricultural produce at the point of harvest.

	Six months ended 31 December 2018		
	Sale of oranges (unaudited) RMB'000	Sale of other fruit (unaudited) RMB'000	Total (unaudited) RMB'000
Timing of revenue recognition			
At a point in time	6,922	2,432	9,354
Over time	–	–	–
Total	<u>6,922</u>	<u>2,432</u>	<u>9,354</u>

6. OTHER INCOME

	Six months ended 31 December	
	2018 (unaudited) RMB'000	2017 (unaudited) RMB'000
Management income (<i>Note</i>)	8,378	2,391
Interest income	44	33
Sundry income	58	824
	<u>8,480</u>	<u>3,248</u>

Note:

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

7. LOSS BEFORE TAX

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

	Six months ended	
	31 December	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
(a) Staff costs (including directors' emoluments)		
– salaries, wages and other benefits	6,624	5,657
– contributions to defined contribution retirement plans	218	138
	6,842	5,795
(b) Other items		
Auditors' remuneration	–	701
Cost of agricultural produce sold	2,699	–
Cost of fruit sold	5,703	–
Depreciation of property, plant and equipment	5,514	4,684
Exchange gains, net	(7,951)	(5,684)
Operating lease expenses		
– properties	674	885
– plantation bases	1,481	742

8. INCOME TAX EXPENSE

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 the British Virgin Islands, the Group is not subject to any income tax in the respective tax jurisdictions.
- (ii) Hong Kong profits tax is calculated at 16.5% (six months ended 31 December 2017: 16.5%) on the estimated assessable profit for the period, net of tax losses brought 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.
- (iii) No PRC enterprise income tax has been provided for as the Group did not have assessable profit in the PRC during the period. 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 profit 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 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 Group's 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. At 31 December 2018, the Group has no unremitted profit of the subsidiaries in the PRC (six months ended 31 December 2017: Nil) due to the deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

9. LOSS PER SHARE

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

	Six months ended	
	31 December	
	2018	2017
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Loss		
Loss attributable to owners of the Company used in basic and diluted loss per share calculation	<u>(11,229)</u>	<u>(186,458)</u>
Weighted average number of shares	'000	'000
Weighted average number of ordinary shares used in basic and diluted loss per share calculation	<u>1,249,638</u>	<u>1,249,638</u>

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.

10. DIVIDENDS

No dividend has been paid or proposed by the Company for the six months ended 31 December 2018 (six months ended 31 December 2017: Nil).

11. TRADE AND OTHER RECEIVABLES

	31 December	30 June
	2018	2018
	(unaudited)	(audited)
	RMB'000	RMB'000
Trade receivables	1,969	276
Other receivables, deposits and prepayments	<u>2,360</u>	<u>4,928</u>
	<u>4,329</u>	<u>5,204</u>

Trade and other 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 the deconsolidation of the Deconsolidated Subsidiaries with effect from 1 July 2015.

12. TRADE AND OTHER PAYABLES

	31 December 2018 (unaudited) RMB'000	30 June 2018 (audited) RMB'000
Trade payables	2,513	5,124
Other payables and accruals	13,067	15,975
Contract liabilities/receipt in advance (<i>Note</i>)	–	7,180
Amount due to a director	–	508
Amounts due to the Deconsolidated Subsidiaries	<u>571,442</u>	<u>571,442</u>
	<u>587,022</u>	<u>600,229</u>

Note:

The amount related to advance receipts from customers prior to goods sold, it was reclassified as contract liabilities under IFRS 15 as at 30 June 2018.

Trade and other payables with net carrying amount of approximately RMB136,310,000 brought forward on 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.

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 2018 (unaudited) RMB'000	30 June 2018 (audited) RMB'000
Less than 3 months	733	5,124
3 to 6 months	1,733	–
6 to 12 months	<u>47</u>	<u>–</u>
	<u>2,513</u>	<u>5,124</u>

13. COMMITMENTS

Operating lease commitments

At 31 December 2018, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	31 December 2018 (unaudited) RMB'000	30 June 2018 (audited) RMB'000
Within 1 year	3,762	4,169
After 1 year but within 5 years	11,949	11,870
After 5 years	78,507	80,014
	94,218	96,053

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

	31 December 2018 (unaudited) RMB'000	30 June 2018 (audited) RMB'000
Capital expenditure contracted for but not provided for in respect of acquisition of property, plant and equipment	12,829	13,840

14. EVENTS AFTER THE REPORTING PERIOD

(a) Legal Procedures Updated

As disclosed in the Company's announcement dated 15 January 2019, the Company was notified of the First Instance Judgment issued by Beihai City Intermediate People's Court (北海市中級人民法院) pursuant to which the court ruled, among others, that Man Guifu is entitled to 46.14% equity interests in Beihai Perfuming Garden held by Chance Lead (an indirect wholly-owned subsidiary of the Company), and that Chance Lead shall cooperate with Man Guifu to effect the equity transfer registration. As advised by the PRC legal adviser of the Company, the plaintiff or the defendant to the First Instance Judgment may submit a request for appeal within the Appeal Period. If no appeal is filed within the Appeal Period, the First Instance Judgment shall have become effective following the lapse of the Appeal Period.

As the Company was not aware of the contractual arrangements giving rise to the BPG Shareholders Dispute, the Company lodged a request for appeal of the rulings of the First Instance Judgment on 11 February 2019 and continue to defend its position vigorously.

(b) Very Substantial Disposal in relation to Disposal of Subsidiaries

As disclosed in the Company's announcement dated 21 January 2019, a wholly-owned subsidiary of the Company, A-One, entered into the SPA with an independent third party, Mr. Zhou on that day. Pursuant to the SPA, A-One conditionally agreed to sell to Mr. Zhou the entire issued share capital of the Target Company, a wholly-owned subsidiary of the Company, at the aggregate consideration of RMB5,000,000 (equivalent to approximately HK\$5.8 million). In addition, A-One also conditionally agreed to transfer and novate to Mr. Zhou an assumed debt which was the indebtedness owing by A-One to the Target Company as at the completion date of the Disposal.

Upon completion, the Target Company and its subsidiaries would cease to be subsidiaries of the Group and their financial results would no longer be consolidated into the financial statements of the Group. As at the date of this announcement, the assumed debt amounted to approximately RMB279.5 million (equivalent to approximately HK\$326.6 million).

15. ACQUISITION OF A SUBSIDIARY

During the year ended 30 June 2018 and the measurement period in accordance with IFRS 3 "Business Combination", the Group recognised further adjustment to the provisional amount of the fair value of biological assets of RMB8,823,000 at the acquisition date on 18 September 2017. It resulted in the gain on bargain purchase as disclosed in the comparative information of the condensed consolidated statement of profit or loss for the six months ended 31 December 2017 increased from RMB21,868,000 to RMB30,691,000, the loss for the period attributable to owners of the Company decreased from RMB195,281,000 to RMB186,458,000 and the loss per share decreased from RMB0.156 to RMB0.149.

OTHER INFORMATION

PURCHASE, SALE OF 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 Review Period.

CORPORATE GOVERNANCE CODE

During the Review Period, the Directors, where practicable, sought to adopt the corporate governance code (the "Code") contained in the Appendix 14 of the Hong Kong Listing Rules.

The Company has complied with all the Code Provisions of the 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 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

For the reasons and consideration as set out in the sub-section headed "Other significant events — (1) The Beihai Minority Disputes" in this announcement, the management of certain deconsolidated subsidiaries of the Group in 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.

In late September 2017, the Group resumed the control of a major PRC subsidiary, Lucky Team Hepu, and retrieved back the financial and legal records of Lucky Team Hepu 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.

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 which 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, 2016/17 and 2017/18, mainly due to the deconsolidated subsidiaries. Nonetheless, the Group did not incur any debt instrument nor any bank borrowings and in fact, the Group would maintain sufficient funding for operation in the coming twelve months. After the resumption 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 restructuring of the Group and stringent cost control, the Group is optimistic that it is 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 for Lucky Team Hepu which was retrieved back in late September 2017 with its results reconsolidated to the Group in the financial year of 2017/18, which affected the execution of annual review of the internal control and risk management systems of the Group in the previous financial years. As mentioned in the sub-section headed “Other significant events — (1) The Beihai Minority Disputes” in this announcement, the Company had already engaged legal professional in the PRC in order to protect and enforce all the legal rights of the Group and to obtain access of the relevant documents as a shareholder of those deconsolidated PRC subsidiaries. On the other hand, the Group has implemented an improved 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 of 2016/17 onwards.

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 one of the INEDs and the Non-executive Director were unable to attend the annual general meeting (the “AGM”) of the Company in 2018, the senior management and the other INEDs of the Company had reported all special enquiries from the shareholders and acted as the communication bridge between the shareholders, the INED and the Non-executive Director so that they 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 of the Company in 2018, he had nominated the Deputy Chief Executive Officer as his alternate to attend and chair the AGM and to provide response in respect of any information required by the shareholders of the Company.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issue (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 Review Period.

REVIEW OF THE INTERIM RESULTS BY AUDIT COMMITTEE

The Audit Committee comprises three INEDs as members, Mr. Chung Koon Yan (acting as chairman of the committee), Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han. The establishment of Audit Committee is in compliance with Rule 3.21 of the Hong Kong Listing Rules.

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

The Audit Committee 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 Review Period.

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 HKEx (www.hkex.com.hk).

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

Hong Kong, 28 February 2019

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ng Ong Nee (Chairman and Chief Executive Officer) and Mr. Ng Hoi Yue (Deputy Chief Executive Officer); a non-executive director, namely Mr. He Xiaohong; and three independent non-executive directors, namely Mr. Chung Koon Yan, Dr. Lui Ming Wah, PhD, SBS, JP and Mr. Yang Zhen Han.

* *For identification purposes only*