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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)

FULFILMENT OF ALL RESUMPTION CONDITIONS AND RESUMPTION OF TRADING

Financial Advisor to the Company



This announcement is made by the board of directors (the “**Board**”) of Asian Citrus Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements dated 1 August 2018, 1 November 2018, 1 February 2019, 2 May 2019, 2 August 2019, 11 November 2019, 31 January 2020, 29 April 2020 and 31 July 2020 published by the Company in compliance with Rule 13.24A of the Listing Rules; (ii) the announcements of the Company dated 27 January 2017 and 6 September 2018 in relation to, among others, the conditions for resumption of trading in the shares of the Company (the “**Shares**”) imposed on the Company by the Stock Exchange; (iii) the announcements of the Company dated 16 September 2019 and 26 September 2019 in relation to the decision of the Listing Committee to cancel the Company’s listing under Rule 6.01A of the Listing Rules (the “**LC Decision**”) and the Company’s request for the LC Decision to be referred to the Listing Review Committee for review; (iv) the announcement of the Company dated 30 March 2020 in relation to the Listing Review Committee’s decision in respect of the Review Hearing held on 2 March 2020; and (v) the announcement of the Company dated 31 August 2020 in relation to, among others, the annual results of the Group for the financial year ended 30 June 2020 (the “**FY19/20**”) (the “**FY19/20 Results Announcement**” and collectively, the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

RESUMPTION CONDITIONS

At the request of the Company, trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 29 September 2016.

As disclosed in the announcements of the Company dated 27 January 2017 and 6 September 2018, the Stock Exchange imposed the following resumption conditions on the Company before the making of any request by the Company for the resumption of trading of the Shares (the “**Resumption Conditions**”):

- (1) publish all outstanding financial results under the Listing Rules and address any audit qualifications;
- (2) clarify, address and take appropriate actions on the Allegations;
- (3) demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules; and
- (4) inform the market of all material information for shareholders and investors to appraise the Company’s position.

FULFILMENT OF ALL RESUMPTION CONDITIONS

The Board is pleased to announce that all the Resumption Conditions have been fulfilled as at the date of this announcement, details of which are set out below.

1. **Resumption Condition (1) – *publish all outstanding financial results under the Listing Rules and address any audit qualifications***

(a) *Publishing all outstanding financial results*

The Company has published all the outstanding financial results in satisfaction of Resumption Condition (1).

(b) *Audit qualifications*

In the financial year ended 30 June 2016, due to the uncooperative management of certain then subsidiaries of the Group (the “**Deconsolidated Subsidiaries**”), the Company was unable to gain access to the books and records of those Deconsolidated Subsidiaries. Despite the Group’s efforts in retrieving the relevant books and records, the uncooperative management of the Deconsolidated Subsidiaries did not respond to the requests of the Company. As a result, the Deconsolidated Subsidiaries were deconsolidated in the consolidated financial statements of the Group for the years ended 30 June 2016, 2017 and 2018. Furthermore, for the same reason, the auditors of the Company, HLB Hodgson Impey Cheng Limited (the “**Auditors**”), were unable to obtain sufficient appropriate audit evidence in connection with its preparation of the consolidated financial statements of the Group for the year ended 30 June 2016. Hence, the Auditors had issued a disclaimer of opinion on the consolidated financial

statements of the Group for the year ended 30 June 2016. The disclaimer of opinion remained on the consolidated financial statements of the Group for the years ended 30 June 2017 and 30 June 2018 (together with the disclaimer of opinion on the consolidated financial statements of the Group for the year ended 30 June 2016, collectively as the “**Disclaimer Opinions**”) as the basis of the disclaimer opinion had not been resolved during those subsequent years.

During the financial year ended 30 June 2018, due to the demise of the then legal representative of Lucky Team Hepu, being one of the Deconsolidated Subsidiaries carrying out operations at the Hepu Plantation at the time, the Company resumed control over and took possession of the premises of Lucky Team Hepu. However, books and records of Lucky Team Hepu during certain period could not be found at the premises. Therefore, the Auditors remained unable to obtain sufficient appropriate audit evidence in respect of Lucky Team Hepu.

As disclosed in the announcement of the Company dated 2 May 2019, upon discussion with its Auditors, the Company had devised a plan (the “**Plan**”) and had taken the necessary actions with a view to addressing the Disclaimer Opinions before 30 June 2019. These actions included (i) restructuring of Lucky Team Hepu (the “**Hepu Restructuring**”); and (ii) disposal of the Deconsolidated Subsidiaries including Lucky Team Hepu (the “**Disposals**”).

Under the Hepu Restructuring, Lucky Team Hepu’s assets were transferred to one of the Company’s existing subsidiaries and a new cooperation agreement was entered into enabling the Group to continue to undertake its plantation business at the Hepu Plantation despite its disposal of Lucky Team Hepu.

As at 30 June 2019, the Hepu Restructuring and the Disposals had been completed in line with the Plan.

As shown in the FY19/20 Results Announcement, there is no disclaimer of opinion and the Auditors had only issued a qualified opinion on the consolidated financial statements of the Group for FY19/20 concerning the corresponding figures. As agreed with the Auditors, such qualified opinion concerning the corresponding figures will be removed for the next financial year ending 30 June 2021 in line with the Plan.

Furthermore, as advised by the Auditors, the inability to access the books and records of the Deconsolidated Subsidiaries will no longer have a recurring impact on the consolidated financial statements of the Group after FY19/20.

Accordingly, the Company is of the view that it has fulfilled this Resumption Condition (1).

2. **Resumption Condition (2) – clarify, address and take appropriate actions on the Allegations**

As stated in the announcements of the Company dated 26 March 2019 and 30 July 2019, the Company has engaged RSM Corporate Advisory (Hong Kong) Limited (“**RSM**”) to conduct an independent investigation (the “**Independent Investigation**”) on the Allegations, i.e. the allegations received by the Auditors from two persons who claimed to be Man Guifu* (滿桂富) (“**Man Guifu**”) and Chen Deqiang* (陳德強) (“**Chen Deqiang**”), whose names match two employees of the Deconsolidated Subsidiaries, alleging that certain amounts or balances in the internal records of certain customers or suppliers did not correspond to the internal records of the Group, and there were inaccuracies in the books and records of certain Deconsolidated Subsidiaries.

(a) **Investigation Limitations**

RSM reported that the Independent Investigation was subject to various limitations (“**Investigation Limitations**”), including, among others, that (i) Man Guifu and Chen Deqiang had stopped to provide further information to the Group and did not respond to enquiries of RSM; (ii) the relevant customers also did not respond to enquiries of RSM; and (iii) the information provided by Man Guifu and Chen Deqiang were limited and the Allegations were vague and imprecise.

(b) **Conclusion of the Independent Investigation and other matters**

Due to the Investigation Limitations, RSM was unable to confirm or reject the Allegations made by Man Guifu and Chen Deqiang. More particularly, RSM highlighted that:

- RSM has not identified any individuals or management personnel whom should be held responsible for the Allegations, except that Man Guifu and Chen Deqiang may be held responsible for not discharging their duties as the management of the Deconsolidated Subsidiaries to properly cooperate in the forensic accounting review of RSM and/or the Group’s prior investigation, if indeed, Man Guifu and Chen Deqiang could be considered to be staff of the Group.
- RSM was also of the view that the Company has taken various legal actions to regain the control of the Deconsolidated Subsidiaries and seek information. In addition, the Company has also engaged PRC lawyers and accountants to assist them to make enquiries to Man Guifu and Chen Deqiang, the Deconsolidated Subsidiaries as well as various banks to address the Allegations. Therefore, it appears that the Company may have exhausted the available options to address the Allegations despite that the information obtained so far is limited.

- The Group has been in litigation to retrieve the information of the relevant subsidiaries to regain control or obtain information at the time and the counter side of these litigations is or suspected to be Man Guifu and Chen Deqiang. Thus, RSM considered that the major limitation or obstacle to ascertain the Allegations were created by Man Guifu and Chen Deqiang themselves. Alternatively, Man Guifu and Chen Deqiang should be in the position to assist the Company to confirm or reject their Allegations. However, they failed to provide assistance and it appeared that they had been creating barriers and obstacles to the Group to ascertain the Allegations.
- The Allegations also exhibited certain suspicions. It appeared that the background of the Allegations was the purported threat made by a “founding minority shareholder” and this might raise doubt as to the ulterior purpose as well as the genuineness of the Allegations.
- It appeared that Man Guifu and Chen Deqiang should be in the position to make their Allegations more concrete or to provide some conclusive evidence to support their Allegations, but they deliberately decided to leave their Allegations in the form which is ambiguous and unverifiable.

For further details on the key findings of the Independent Investigation, please refer to the announcement of the Company dated 30 July 2019.

Nonetheless, in response to the key findings and other matters pointed out by RSM during the Independent Investigation, the Group has taken various measures to enhance its internal control procedures. RSM was of the view that such procedures and measures have substantially enhanced the Group’s internal control and corporate governance to properly address the issues and concerns in respect of the internal control of the Company raised by RSM in the Independent Investigation.

Accordingly, the Company is of the view that it has fulfilled this Resumption Condition (2).

3. Resumption Condition (3) – demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules

The Company is a fruit company which operates in the agriculture industry with a veteran management team with extensive experience.

As disclosed in the FY19/20 Results Announcement, the principal business activities of the Group include the Plantation Business and the Fruit Distribution Business. For FY19/20, a total revenue of approximately RMB451.8 million was recorded, representing a significant increase of approximately 7.6 times as compared to the total revenue of approximately RMB52.8 million for the year ended 30 June 2019 and the operating results has turned around from a net operating loss (excluding gain on disposal of subsidiaries) of approximately RMB38.9 million for the year ended 30 June 2019 to a net operating profit of approximately RMB24.8 million for FY19/20. The significant improvement in the financial performance of the Group in FY19/20 was particularly attributed to the following reasons:

- The increase in both production volume and sales volume for oranges as a result of improved cultivation precaution and fruit collection management at the Hepu Plantation.
- The increase in average selling price of oranges during the harvest seasons in 2020 as a result of more premium-grade oranges being sold at a higher price, limited supply of oranges in the market caused by poor weather, and the increased demand for fruits in light of COVID-19 in 2020.
- The increase in customer base and transaction volume as well as having more premium fruits in the product mix for the Fruit Distribution Business.

(a) Plantation Business

The Group has been conducting the Plantation Business, which is principally engaged in the planting, cultivation and sales of agricultural produce in the PRC market, since 2000.

Currently, the agricultural produces are planted and cultivated by the Group at the Hepu Plantation located in Guangxi, the PRC under two business models, namely (1) cooperation with Lucky Team Hepu in plantation of oranges and (2) cooperation with Lucky Team Hepu and the local farmers in plantation of other types of fruit. The produces are then subsequently wholesaled to certain distributors in the PRC.

Through continuously improving its plantation technology and processes at the Hepu Plantation by deploying procedures including soil enhancement measures, pest control, pruning of trees, and nutrition, quarantine and quality inspections, the Group has gradually shifted part of its focus to producing oranges at premium quality under model (1). At the same time, the Group has also been actively implementing its diversified fruit projects under model (2) by providing professional/technical advisory services to local farmers in exchange for certain management income. The Group has also successfully enhanced the consumer awareness of its own brand in the PRC and overseas by way of expanding the sales network of oranges under the brand of “Royalstar 新雅奇”. Such brand has contributed to the competitiveness of the Group in the PRC fruit market and built a reputation for quality.

(b) *Fruit Distribution Business*

To capture the business opportunity of identified unmet demands (of distributors from the Plantation Business) and to leverage the “Royalstar 新雅奇” brand name and the existing knowledge and expertise of the Group’s veteran management team in the industry, the Group has expanded its distribution offering to other types of fruit since September 2018. Under the Fruit Distribution Business, which is principally engaged in the distribution of various high-quality fruits in the PRC, the Group utilises its knowledge of the local landscape of quality fruit supplies, deploys its technical know-how for quality control and improvement, and distributes the different types of fruits under the Group’s premium brand “Royalstar 新雅奇” through its network of distributors.

The plantation industry and fruit distribution market in Mainland China are both fragmented. The former with a vast number of growers and the latter with distributors scattered and dispersed amongst different provinces in the PRC. There are very few domestic institutional players in the market. Therefore, it can be costly for a distributor to source premium and quality fruits and to run through the selection process in an efficient manner and at the same time, it is difficult for growers to secure stable sales channels.

On the supply side, the Group selects quality suppliers and provides technical and professional advisory services to improve their cultivation yield. On the distribution side, the Group utilises its existing network of distributors accumulated from the Plantation Business and solicits quality distributors through various fruit exhibition and fairs in the PRC. The Group’s existing distributors include large-sized regional distributors and chain-retailers, whom the Group has built strong relationship with, evidenced by the willingness of the distributors to enter into long-term sales agreements with the Group.

By being close to both the demand and supply sides, the Group is able to source various types of fruit as required by the distributors in a timely manner and ensure quality of the fruit. The Group then performs the necessary processing for the fruits (e.g. grading, cleaning, waxing, packing and labelling) which are subsequently distributed to the distributors under the Group's brand "Royalstar 新雅奇" at a premium price.

For further details on the business models, business plans and recent development of each of the Plantation Business and the Fruit Distribution Business, please refer to the quarterly announcements published by the Company in compliance with Rule 13.24A of the Listing Rules prior to the date of this announcement.

In view of the current business operations and financial position of the Group as elaborated above, the Company is of the view that it has demonstrated compliance with Rule 13.24 of the Listing Rules and has fulfilled this Resumption Condition (3).

4. Resumption Condition (4) – *inform the market of all material information for shareholders and investors to appraise the Company's position*

Since the suspension of trading of the Shares, the Company has kept its shareholders and investors informed of all material information to appraise the Company's position by way of announcements published on the website of the Stock Exchange.

RESUMPTION OF TRADING IN THE SHARES

As all the Resumption Conditions have been satisfied, the Company has made an application to the Stock Exchange for resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 1 September 2020.

Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 31 August 2020

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*