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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)**

**(I) SUMMARY OF KEY FINDINGS OF THE INDEPENDENT INVESTIGATION;**  
**(II) VIEWS OF THE BOARD ON THE KEY FINDINGS OF THE INDEPENDENT INVESTIGATION;**  
**(III) UPDATE ON FULFILLMENT OF RESUMPTION CONDITIONS;**  
**AND**  
**(IV) CONTINUED SUSPENSION OF TRADING OF SHARES**

This announcement is made by the board (the “**Board**”) of directors 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 of the Company dated 30 June 2017, 30 November 2017, 28 December 2017, 31 January 2018, 28 February 2018, 26 March 2018, 30 April 2018, 31 May 2018, 29 June 2018, 15 January 2019 and 4 April 2019 in relation to, among others, the suspension of trading in the shares of the Company (the “**Shares**”) on the Stock Exchange and updates on legal procedures in respect of certain PRC subsidiaries; (ii) the announcements dated 1 August 2018, 1 November 2018, 1 February 2019 and 2 May 2019 published by the Company in compliance with Rule 13.24A of the Listing Rules; (iii) the announcement of the Company dated 26 March 2019 in relation to, among others, an update on progress of investigation in relation to the Allegations; and (iv) 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 imposed on the Company by the Stock Exchange (collectively, the “**Announcements**”). Unless otherwise defined, capitalized terms used in this announcement shall have the same meanings as those defined in the Announcements.

## (I) SUMMARY OF KEY FINDINGS OF THE INDEPENDENT INVESTIGATION

As stated in the announcement of the Company dated 26 March 2019, the Company has engaged RSM, an independent professional third party, to conduct the Investigation on the Allegations, i.e. the allegations received by the auditors of the Company 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 Company’s then 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 then subsidiaries of the Company.

The Board is pleased to announce that the Investigation has been completed by RSM, and a summary of the key findings of RSM is set out below:

### A. Limitations of the Investigation

The Investigation was subject to various limitations (“**Investigation Limitations**”), including (i) the Group had no possession of the relevant books and records of the Deconsolidated Subsidiaries and even after the Group had regained control over Lucky Team Hepu, the Group had been unable to take control of the relevant books and records; (ii) Man Guifu and Chen Deqiang had stopped to provide further information to the Group and did not respond to enquiries of RSM; (iii) the relevant customers also did not respond to enquiries of RSM; and (iv) the information provided by Man Guifu and Chen Deqiang were limited and the Allegations were vague and imprecise.

### B. Conclusion of the Investigation

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

- (i) Man Guifu had provided to the auditors a copy of the statements for the period from 1 June 2016 to 30 June 2016 of a bank account (“**Primary Account**”) maintained by Lucky Team Hepu with Industrial and Commercial Bank of China Limited (“**Bank**”) regarding his allegation that there were inaccuracies in the books and records of certain subsidiaries of the Company. However, RSM was unable to conclude on whether the transactions of the Primary Account booked by Lucky Team Hepu were inconsistent with the bank statements, as RSM was unable to obtain, review or compare the accounting ledger or the relevant accounting records of Lucky Team Hepu in relation to the Primary Account and the actual bank statements of the Primary Account;
- (ii) RSM was unable to conclude on the authenticity and accuracy of the bank statements of the Primary Account provided by Man Guifu, since the Bank declined to confirm the authenticity of the subject bank statements. Even if the authenticity could be confirmed to be positive, RSM opined that conclusion would still be hindered by, among other things, the Investigation Limitations;

- (iii) RSM was unable to conclude on whether the amounts or balances of the internal records of such certain customers and suppliers were inconsistent with the internal records of the Deconsolidated Subsidiaries which among other limitations, RSM was unable to retrieve or obtain the relevant records of the Group nor had any of the relevant customers and suppliers responded to RSM's request to provide additional information, and as a result, RSM did not have the most fundamental information to verify and/or confirm the existence of the alleged inconsistencies between the Deconsolidated Subsidiaries' records and the counterparties' records;
- (iv) RSM was unable to conclude on whether the relevant customers and suppliers of the Group had contacted or notified the Group in respect of the alleged inconsistencies in amounts or balances. The current senior management of the Company had confirmed that they did not receive any compliant directly (except those from Man Guifu), and the Company's auditors also confirmed that they had no such records;
- (v) 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 the staff of the Group; and
- (vi) RSM was 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.

### **C. Other matters**

RSM also highlighted in the Investigation that:

- (i) 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; and
- (ii) the Allegations also exhibited certain suspicions. It appeared that the background of the Allegations was the purported threat made by a "founding minority shareholder" (as stated in the announcement of the Company dated 29 September 2016) and this might raise doubt as to the ulterior purpose as

well as the genuineness of the Allegations. In addition, 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 current form which is ambiguous and unverifiable. RSM also noted that it had been asserted that a couple of the customers and suppliers had purportedly tried to back out from what they had previously confirmed and alleged that their figures were inconsistent with the records of the Deconsolidated Subsidiaries. Assuming that this was true, it seemed suspicious to RSM as to why the customers and suppliers would confirm the correctness in the first place, but only to decline or refute it afterwards. The auditors also confirmed that they did not have the records in relation to the receipt of the purported replies from these customers or suppliers.

## **(II) VIEWS OF THE BOARD ON THE KEY FINDINGS OF THE INDEPENDENT INVESTIGATION**

The Board has reviewed and accepted the key findings of the Investigation. The Group has also taken various measures to enhance its internal control procedures:

- (i) in order to prevent loss of control of its remaining subsidiaries, especially those in the PRC, the Group either amended the articles of association or set up supplementary articles of association of its remaining PRC subsidiaries which empowered the shareholders to, among other things, appoint and dismiss the directors, supervisors and other senior management of the remaining PRC subsidiaries;
- (ii) the Group had also requested the legal representative and/or the directors of the remaining PRC subsidiaries to sign undated resignation letters in advance such that in the event that they become uncooperative or uncontrollable, the Group can remove them by the said resignation letters;
- (iii) the Group has enhanced its centralised record keeping policy and procedures. The Group has imposed a policy that the remaining PRC subsidiaries are required to submit financial information, such as management accounts, general ledger, payroll records and social security records, to the Company from around January 2017 onwards on a monthly basis. The Group has also adopted an accounting system which allows the Company to collect on a monthly basis and centralize all financial information of the remaining PRC subsidiaries. Such policy and system allow the Company to maintain the historical information as to the operation and state of affairs of the remaining PRC subsidiaries even in the event of a potential loss of control of the remaining PRC subsidiaries or when the management of such remaining PRC subsidiaries become uncooperative to the Company's request for information; and
- (iv) the Company has also been obtaining from the remaining PRC subsidiaries copy of monthly bank statements which are submitted to the Company along with the monthly updates as regards required financial information referred to in (iii) above.

RSM stated that, in light of the above, they are of the view that the aforesaid new procedures and measures implemented by the Group 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 Investigation.

### **(III) UPDATE ON FULFILLMENT OF RESUMPTION CONDITIONS**

As stated in the Company's announcements dated 27 January 2017 and 6 September 2018, the Stock Exchange has notified the Company that the following resumption conditions would apply before the making of any request by the Company for the resumption of trading of the Shares (the "**Resumption Conditions**"):

- A. publish all outstanding financial results under the Listing Rules and address any audit qualifications;
- B. clarify, address and take appropriate actions on the Allegations;
- C. demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and
- D. inform the market of all material information for the shareholders and the investors to appraise the Company's position.

Following completion of the Investigation, the Company is of the view that the second Resumption Condition has been fulfilled as at the date of this announcement.

The Company will make further announcement(s) relating to any further material development of the fulfillment of Resumption Conditions and to inform the market of all material information for the shareholders and potential investors of the Company to appraise the Company's position as and when appropriate.

### **(IV) CONTINUED SUSPENSION OF TRADING OF SHARES**

Trading in the Shares on the Stock Exchange will remain suspended pending the fulfilment of the remaining Resumption Conditions. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares.

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

Hong Kong, 30 July 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.