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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)

QUARTERLY ANNOUNCEMENT

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 and Rule 13.24A 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 on the Stock Exchange (the “**Shares**”) 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 announcements of the Company dated 26 March 2019 and 30 July 2019 in relation to, among others, the update on progress of the independent investigation in relation to the Allegations; (iv) the announcements of the Company dated 21 January 2019, 13 March 2019, 27 March 2019, 9 May 2019 and the circular of the Company dated 16 April 2019, in relation to, among others, the VSD (as defined below); (v) the announcement of the Company dated 3 June 2019 in relation to the Last Disposal (as defined below); and (vi) the announcements of the Company dated 27 January 2017 and 6 September 2018 in relation to, among others, the conditions for resumption of trading of 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.

1. 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 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.

In compliance with Rule 13.24A of the Listing Rules, the quarterly updates on the Company's progress and development of the resumption of trading of the Shares are set out below.

2. RESUMPTION PLAN OF THE GROUP AND PROGRESS OF THE RESUMPTION PLAN

On 24 May 2019, the Company submitted a resumption proposal (the "**Resumption Proposal**") to the Stock Exchange in support of the resumption of trading in the Shares.

As at the date of this announcement, the Company has made rounds of submissions to the Stock Exchange with a view to seeking a resumption of trading in the Shares. However, trading in the Shares on the Stock Exchange will remain suspended pending the fulfilment of the Resumption Conditions to the satisfaction of the Stock Exchange.

A summary of the Resumption Proposal is set out below.

A. Audit qualifications

As disclosed in the Announcements, the auditors of the Company ("**Auditors**"), HLB Hodgson Impey Cheng Limited, had issued the disclaimer of opinions on the consolidated financial statements of the Group for the years ended 30 June 2018, 30 June 2017 and 30 June 2016 (the "**Disclaimer Opinions**").

As disclosed in the Announcements, the Company has proposed plans to the Auditors and has been taking actions with a view to addressing the Disclaimer Opinions before 30 June 2019. As disclosed in the announcements of the Company dated 9 May 2019 and 3 June 2019, completion of the VSD and the Last Disposal, which formed part of the proposed plan, had taken place on 9 May 2019 and 3 June 2019 respectively. Accordingly, in view of (among others) such development of

the actions taken by the Group in regard to the proposed plans and based on the information currently available, the Auditors have confirmed that all the Disclaimer Opinions have been addressed in the below manner:

- a) the Disclaimer Opinions concerning (i) events after the reporting period and (ii) going concern basis of accounting will be removed for the financial year ended 30 June 2019 (“**FY 2018/19**”) and as disclosed in the Announcements, there will be an additional disclaimer of opinion on the gain/loss on disposal of the Deconsolidated Subsidiaries for FY 2018/19 (“**Gain/Loss Disclaimer Opinion**”);
- b) all remaining Disclaimer Opinions and the Gain/Loss Disclaimer Opinion will be removed for the financial year ending 30 June 2020 and as disclosed in the Announcements, there will be a qualified opinion in respect of opening balances and comparable figures for the financial year ending 30 June 2020 as the accounts for the relevant year will still contain figures from FY 2018/19; and
- c) the qualified opinion concerning opening balances and comparable figures will be removed for the financial year ending 30 June 2021.

The Auditors are in the course of conducting the annual audit of the Group for FY 2018/19 and they have confirmed that, up to the date of this announcement, they are not aware of any further findings which are inconsistent to their understandings as stated above.

Based on the above confirmation from the Auditors, the Company is of the view that the first Resumption Condition has been fulfilled as at the date of this announcement.

B. Allegations

Reference is made to the announcements of the Company dated 26 March 2019 and 30 July 2019 in relation to, among others, the Investigation. Please refer to the announcement of the Company dated 30 July 2019 for details on the key findings of the Investigation.

As stated in the announcement of the Company dated 30 July 2019, 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.

C. Update on the development of business operations of the Group

Upon completion of the Disposals, the principal businesses of the Group include the plantation operation at Hepu Plantation (the “**Plantation Operation**”) and the fruit distribution operation via the fruit distribution channels of the Group (the “**Fruit Distribution Operation**”).

Plantation Operation

The Plantation Operation has been principally engaging in the planting, cultivation and sales of agricultural produce in the PRC market since 2000. Currently, the agricultural produces, mainly oranges, are planted and cultivated by the Group at the Hepu Plantation located in Guangxi, the PRC and subsequently wholesaled to (i) the wholesale distributors located in various regions of the PRC and overseas, i.e. Vietnam; and (ii) the E-Commerce platforms and online retailers in the PRC.

Upon completion of the Hepu Restructuring, land use rights to the farmland at Hepu Plantation is owned by Lucky Team Hepu (which was disposed of by the Group in the Last Disposal) whereas all the key operating fixed assets (i.e. buildings, farmland structures, machineries and equipment and other fundamental facilities for the plantation and biological assets) and real properties (i.e. office building) are owned by the Agriculture Company.

The Plantation Operation adopts 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.

Lucky Team Hepu is responsible for the payment of the farmland rent and to coordinate and handle the relationship with the local government and farming partners and in return, the Agriculture Company will share 10% of the revenue derived from the sales of agricultural produces (in the case of model 1) and the provision of professional/technical advisory services to the local farmers (in the case of model 2) with Lucky Team Hepu.

At the same time, the Group decided to enhance the consumer awareness of the Group's own brand in the PRC and overseas by way of expanding the sales of the oranges under the brand of "Royalstar 新雅奇". By expanding the sales network to various cities in the PRC and overseas, the brand "Royalstar 新雅奇" has become gradually recognised by the consumers. The Group believes that the brand development would enhance the Group's ability to compete in the PRC fruit market and build a reputation for quality. Furthermore, the Group intends to further promote the organic farming carried out at the Hepu Plantation and apply for "Organic Products" certificate for the fruit cultivated and planted at the Hepu Plantation in 2020 as the Directors consider that the Group could sell the fruit with "Organic Products" certificate at a premium which would improve the profitability of the Plantation Operation.

In addition to the above, the Group has been actively exploring the feasibility of the plantation of other types of fruit at Hepu Plantation to enhance the output capacity of the Plantation Operation.

Fruit Distribution Operation

The Fruit Distribution Operation has been principally engaging in the distribution of various high-quality fruit in the PRC. Driven by the demand of the customers for different types of fruit, the Group sources various types of fruit from the suppliers and subsequently distributes to the customers after the necessary processing for the fruit (e.g. grading, cleaning, waxing, packing and labelling) under the brand “Royalstar 新雅奇” at a premium price.

As part of the internal control policy of the Fruit Distribution Operation, the Group has in place a series of requirements for choosing fruit suppliers. Once cooperation with the suppliers of different types of fruit has been established by the Group, the Group provides relevant professional and technical advisory services to such suppliers for the purpose of helping them to improve the quality and production capacity of the fruit to be sourced by the Group.

The Group maintains a technical team which is engaged in monitoring and providing professional and technical advice for the processing of the fruit (including grading, cleaning, waxing, packaging and labelling). When the fruit is harvested at the farm, the technical team of the Group would travel and stay on site to monitor the processing procedures before the fruit is sold to the customers.

Company’s views

In view of the current business operations and financial position of the Group, the Company is of the view that the Group has a sufficient level of operations and assets of sufficient value to warrant the continued listing of the Shares in compliance with Rule 13.24 of the Listing Rules, and accordingly, the Company is of the view that the third Resumption Condition has been fulfilled as at the date of this announcement.

D. Material information for the Shareholders to appraise the Company’s position

The Company has been publishing the Announcements to provide the Shareholders material information to appraise the Company’s position from time to time. Accordingly, the Company is of the view that the fourth Resumption Condition has been fulfilled as at the date of this announcement.

The Company will continue to publish announcement(s) to update its shareholders of any major changes to or material development of the above matters, as and when appropriate, in compliance with the requirements under the Listing Rules.

As stated above in this announcement, the Company has made rounds of submissions to the Stock Exchange demonstrating the abovementioned views of the Company in relation to the fulfillment of the Resumption Conditions. However, such views are still subject to the Stock Exchange being satisfied that the Resumption Conditions are fulfilled.

3. UPDATE ON THE LEGAL PROCEDURES

The Company has been advised by its PRC legal advisers that as the legal procedures as referred to in the Announcements concern only the Deconsolidated Subsidiaries and certain of their respective direct shareholders, the current Group is not liable to such legal procedures upon completion of the Disposals.

4. CONTINUED SUSPENSION OF TRADING OF SHARES

Trading in the Shares on the Stock Exchange will remain suspended pending the fulfilment of the Resumption Conditions to the satisfaction of the Stock Exchange. Shareholders and potential investors of the Company should exercise caution when dealing in the Shares. The Board will continue to update the Shareholders and the public of the development of the Company's resumption plan and the progress of fulfillment of the Resumption Conditions, as and when appropriate, in compliance with the requirements under the Listing Rules.

There can be no assurance that any forward-looking statements regarding the business development of the Group set out in this announcement and any of the matters set out herein are attainable, will actually occur or will be realised or are complete or accurate. Shareholders and/or potential investors of the Company are advised to exercise caution when dealing in the securities of the Company and not to place any excessive reliance on the information disclosed herein. Any Shareholder or potential investor who is in doubt is advised to seek advice from professional advisors.

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

Hong Kong, 2 August 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.*