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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)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE PURCHASE OF GOODS

Financial Adviser to the Company



THE FRAMEWORK AGREEMENT

The Board is pleased to announce that on 3 February 2023 (after trading hours of the Stock Exchange), Jinlong Construction, as purchaser, and JAC, as seller, entered into the Framework Agreement, pursuant to which Jinlong Construction has conditionally agreed to purchase, and JAC has conditionally agreed to sell the Goods during the period from the date of the Framework Agreement to 30 June 2025.

LISTING RULES IMPLICATIONS

As at the date of this announcement, JAC is owned as to approximately 37.17% by Mr. Kung Hoi Pang, approximately 27.08% by Ms. Lin Dan Na, approximately 23.25% by Transamerica Trading (HK) Co. (which in turn is owned by Mr. Kung Ting Yin and Mr. Kung Ting Keung), approximately 9.62% by Trade Union Committee and approximately 2.88% by GITIC Shenzhen. Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung are the relatives of Mr. Kung. As such, JAC is a majority-controlled company (as defined in the Listing Rules) of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung, and is a connected person of the Company. As the highest percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) of the Annual Cap exceeds 25% but is less than 100%, the Purchase of Goods constitutes major and continuing connected transactions. As such, the Purchase of Goods and the Annual Cap are subject to reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. James Francis Bittl, the non-executive Director, is a relative of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung. As such, Mr. James Francis Bittl is required to abstain from voting on the resolutions passed by the Board to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap. Save as disclosed above, none of the Directors has any material interest in and is required to abstain from voting on the resolutions passed by the Board to approve the same.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders as to whether or not the terms of Framework Agreement and the Annual Cap are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. In this connection, the Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreement, the transactions contemplated thereunder and the Annual Cap.

SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to pass the resolutions to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap. As at the date of this announcement, Mr. Kung is a substantial Shareholder of the Company holding directly approximately 16.77% of the issued share capital of the Company. As Mr. Kung is the relative of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung, Mr. Kung and his associates will abstain from voting at the SGM approving the Framework Agreement, the transactions contemplated thereunder and the Annual Cap. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

A circular containing, among other things, (i) further details of the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (ii) a letter from the Independent Board Committee containing its recommendation in respect of the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (iv) a notice of the SGM; and (v) other relevant matters as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 24 February 2023, as additional time is required to prepare certain information to be contained in the circular by the Company.

Shareholders and potential investors should note that the Framework Agreement and the transactions contemplated thereunder are subject to the fulfilment or waiver of the conditions precedent (as the case may be) and therefore may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the Shares.

INTRODUCTION

The Board is pleased to announce that on 3 February 2023 (after trading hours of the Stock Exchange), Jinlong Construction, as purchaser, and JAC, as seller, entered into the Framework Agreement, pursuant to which Jinlong Construction has conditionally agreed to purchase, and JAC has conditionally agreed to sell the Goods during the period from the date of the Framework Agreement to 30 June 2025.

THE FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out below:

Date

3 February 2023

Parties

- (i) Jinlong Construction, as purchaser
- (ii) JAC, as seller

Subject matter

Pursuant to the Framework Agreement, Jinlong Construction will purchase the Goods from JAC and the parties will enter into separate agreement for each purchase pursuant to the terms of the Framework Agreement.

Term

From the date of the Framework Agreement to 30 June 2025

Conditions precedent

The Framework Agreement is conditional upon the Company obtaining Independent Shareholders' approval.

Basis of Pricing

The price and terms of the Purchase of Goods will be determined after arm's length negotiation between Jinlong Construction and JAC based on normal commercial terms or better (as defined in the Listing Rules) with reference to:

- (i) the prevailing market price of similar Goods based on the market quotations collected by Jinlong Construction; and
- (ii) the terms offered to Jinlong Construction by other independent suppliers for similar Goods.

Before Jinlong Construction purchases any Goods from JAC, the purchasing department of Jinlong Construction will obtain, review and compare the terms, including but not limited to the price, brand, model and specification, payment and delivery terms, offered by JAC and other independent distributors of electrical appliances. Jinlong Construction will purchase electrical appliances at the most favorable terms offered by JAC or other independent distributors.

As such, Jinlong Construction will ensure that the terms of the Purchase of Goods should be no less favorable than the terms (a) offered by the Independent Third Parties including the relevant brand owners to Jinlong Construction and/or (b) offered by JAC to the Independent Third Parties.

ANNUAL CAP

The table below sets out the Annual Cap during the terms of the Framework Agreement, i.e., from 3 February 2023 to 30 June 2025:

	Period from 3 February 2023 to 30 June 2023 RMB'000	Year ending 30 June	
		2024 RMB'000	2025 RMB'000
Annual Cap	33,000	64,000	68,000

No historical transaction amounts in relation to the purchase of the Goods were incurred up to the date of this announcement as Jinlong Construction used to purchase the Goods from other suppliers.

Basis of Annual Cap

The Annual Cap has been determined by Jinlong Construction by making reference to:

- (i) the anticipated demand of Jinlong Construction for the Goods for the period from 3 February 2023 to 30 June 2023 and the two years ending 30 June 2025, which is determined based on the purchase plan prepared by Jinlong Construction. Such purchase plan was made with reference to the estimated selling quantities of the Goods determined based on the estimated demand for electrical appliances from the potential customers of Jinlong Construction;
- (ii) the anticipated purchase price of the Goods for the period from 3 February 2023 to 30 June 2023 and the two years ending 30 June 2025; and
- (iii) the buffer of approximately 10% for the transaction amounts for the period from 3 February 2023 to 30 June 2023 and each of the two years ending 30 June 2025, which is set to prepare for any unforeseeable circumstances, including but not limited to (a) the increase in the demand for electrical appliances from the potential customers of Jinlong Construction; and (b) the unexpected fluctuations in the market price of the Goods.

INFORMATION OF THE COMPANY

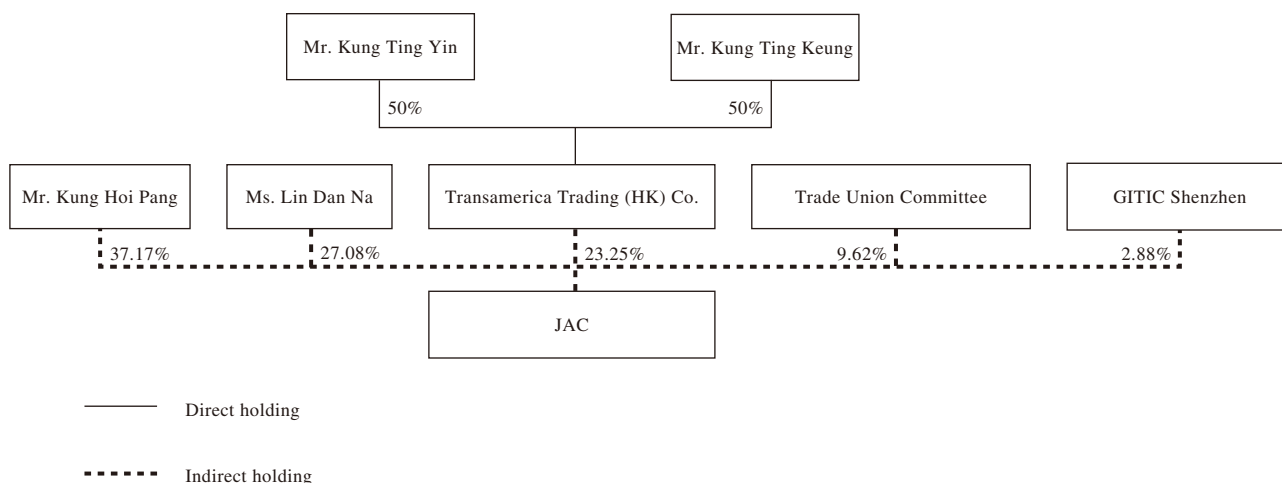
The Company is an investment holding company incorporated in Bermuda with limited liability. The principal business activities of the Group include (i) the planting, cultivation and sales of agricultural produce in the PRC market; (ii) the distribution of various high-quality fruits in the PRC; and (iii) the distribution and installation of air conditioners in the PRC.

INFORMATION OF THE PARTIES

JAC

JAC is a company established in the PRC on 21 April 1993 with limited liability and is principally engaged in (i) the distribution of air conditioners; and (ii) air conditioner engineering design, installation and maintenance.

As at the date of this announcement, JAC is owned as to approximately 37.17% by Mr. Kung Hoi Pang, approximately 27.08% by Ms. Lin Dan Na, approximately 23.25% by Transamerica Trading (HK) Co., which in turn is owned by Mr. Kung Ting Yin and Mr. Kung Ting Keung, approximately 9.62% by Trade Union Committee and approximately 2.88% by GITIC Shenzhen as set forth in the following chart:



Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung are the relatives of Mr. Kung. As such, JAC is a majority-controlled company (as defined in the Listing Rules) of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung, and is a connected person of the Company.

Mr. Kung Hoi Pang is the ultimate beneficial owner of JAC.

Jinlong Construction

Jinlong Construction is a company established in the PRC on 13 January 2009 with limited liability and is an indirect wholly-owned subsidiary of the Company as at the date of this announcement. Jinlong Construction is principally engaged in mechanical and electrical equipment installation projects (excluding the installation and repair of power facilities); building renovation and decoration projects; sales, installation and on-site maintenance of metal and electric material products and mechanical equipment (excluding restricted items); distribution, installation and on-site maintenance of air conditioners; and air-conditioning engineering design.

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

Jinlong Construction decided to enter into the Framework Agreement due to the following reasons:

- (i) since JAC is a supplier of electrical appliances in Shenzhen, the entering into of the Framework Agreement will be beneficial for Jinlong Construction to expand its market share in Shenzhen;
- (ii) considering that Jinlong Construction and JAC have close business relationship for approximately 13 years, Jinlong Construction and JAC are familiar with each other, in particular the business operation. As such, the entering into of the Framework Agreement will be able to reduce the operation risks relating to any default in the Purchase of Goods;
- (iii) the terms of the Purchase of Goods will be no less favorable to Jinlong Construction than those offered by the Independent Third Parties; and
- (iv) given that the Framework Agreement is non-exclusive, the entering into of the Framework Agreement will be an alternative of purchasing the Goods for Jinlong Construction but will not limit Jinlong Construction's choice in purchasing products from other suppliers to satisfy its need for the Goods if better terms are offered by other suppliers to Jinlong Construction.

Taking into consideration the reasons for and benefits of the Framework Agreement to the Company, the Board (other than the independent non-executive Directors who will provide their views after considering the opinion of the Independent Financial Adviser and Mr. James Francis Bittl who abstained from voting on the resolutions passed by the Board to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap) is of the view that the terms of the Framework Agreement and the Annual Cap are fair and reasonable, and the Purchase of the Goods are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, JAC is owned as to approximately 37.17% by Mr. Kung Hoi Pang, approximately 27.08% by Ms. Lin Dan Na, approximately 23.25% by Transamerica Trading (HK) Co. (which in turn is owned by Mr. Kung Ting Yin and Mr. Kung Ting Keung), approximately 9.62% by Trade Union Committee and approximately 2.88% by GITIC Shenzhen. Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung are the relatives of Mr. Kung. As such, JAC is a majority-controlled company (as defined in the Listing Rules) of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung, and is a connected person of the Company. As the highest percentage ratio (calculated in accordance with Rule 14.07 of the Listing Rules) of the Annual Cap exceeds 25% but is less than 100%, the Purchase of Goods constitutes major and continuing connected transactions. As such, the Purchase of Goods and the Annual Cap are subject to reporting, announcement, annual review and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. James Francis Bittl, the non-executive Director, is a relative of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung. As such, Mr. James Francis Bittl is required to abstain from voting on the resolutions passed by the Board to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap. Save as disclosed above, none of the Directors has any material interest in and is required to abstain from voting on the resolutions passed by the Board to approve the same.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprising all the independent non-executive Directors has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders as to whether or not the terms of Framework Agreement and the Annual Cap are fair and reasonable, and whether the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and its Shareholders as a whole. In this connection, the Independent Financial Adviser will be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreement, the transactions contemplated thereunder and the Annual Cap.

SGM

The SGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to pass the resolutions to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap. As at the date of this announcement, Mr. Kung is a substantial Shareholder of the Company holding directly approximately 16.77% of the issued share capital of the Company. As Mr. Kung is the relative of Mr. Kung Hoi Pang, Ms. Lin Dan Na, Mr. Kung Ting Yin and Mr. Kung Ting Keung, Mr. Kung and his associates will abstain from voting at the SGM approving the Framework Agreement, the transactions contemplated thereunder and the Annual Cap. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

A circular containing, among other things, (i) further details of the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (ii) a letter from the Independent Board Committee containing its recommendation in respect of the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (iv) a notice of the SGM; and (v) other relevant matters as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 24 February 2023, as additional time is required to prepare certain information to be contained in the circular by the Company.

Shareholders and potential investors should note that the Framework Agreement and the transactions contemplated thereunder are subject to the fulfilment or waiver of the conditions precedent (as the case may be) and therefore may or may not proceed. Shareholders and potential investors of the Company are therefore reminded to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Annual Cap”	the proposed annual cap contemplated under the Framework Agreement
“Board”	the board of Directors
“Company”	Asian Citrus Holdings Limited, a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 73)
“connected person”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Framework Agreement”	the framework agreement dated 3 February 2023 entered into between JAC and Jinlong Construction in relation to the Purchase of Goods
“GITIC Shenzhen”	Guangdong International Trust and Investment Corporation Shenzhen Branch*(廣東省國際信托投資公司深圳公司), a stated-owned enterprise established in the PRC on 19 June 1980 and an Independent Third Party of the Company as at the date of this announcement
“Goods”	electrical appliances (including air conditioners) to be purchased by Jinlong Construction from JAC under the Framework Agreement

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee of independent non-executive Directors, consisting of Mr. Liu Ruiqiang, Mr. Lai Zheng, Mr. Wang Tianshi, and Ms. Liu Jie, which has been formed to advise the Independent Shareholders on the Framework Agreement, the transactions contemplated thereunder and the Annual Cap
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreement, the transactions contemplated thereunder and the Annual Cap
“Independent Shareholders”	Shareholders other than Mr. Kung
“Independent Third Parties”	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of the Company
“JAC”	Shenzhen Jinlong Air Conditioning Electric Co., Ltd.* (深圳市金龍空調電器有限公司), a company established in the PRC with limited liability
“Jinlong Construction”	Shenzhen Jinlong Construction Engineering Co., Ltd.* (深圳市金龍建設工程有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Kung”	Mr. Kung Chak Ming, a substantial Shareholder of the Company
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Purchase of Goods”	the purchase of electrical appliances (including air conditioners) by Jinlong Construction from JAC under the Framework Agreement

“RMB”	Renminbi, the lawful currency of the PRC
“SGM”	the special general meeting of the Company to be held to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Trade Union Committee”	Trade Union Committee of Shenzhen Jinlong Industrial Co., Ltd.* (深圳市金龍實業股份有限公司工會委員會), which is established in the PRC on 9 October 2006 according to the articles of Jinlong Construction and is an Independent Third Party of the Company as at the date of this announcement
“%”	per cent

On behalf of the Board
Asian Citrus Holdings Limited
Ng Ong Nee
Chairman

Hong Kong, 3 February 2023

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. James Francis Bittl; and four independent non-executive Directors, namely Mr. Liu Ruiqiang, Mr. Lai Zheng, Mr. Wang Tianshi, and Ms. Liu Jie.

* *For identification purposes only*