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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF TARGET COMPANY

Financial Adviser to the Company



THE ACQUISITION

The Board is pleased to announce that, on 16 February 2023 (after trading hours of the Stock Exchange), the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendors and the Target Company, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendors have conditionally agreed to sell the entire equity interest in the Target Company at the Consideration of RMB4,500,000 (equivalent to approximately HK\$5,179,500).

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio for the Company in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

On 16 February 2023, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Equity Transfer Agreement with the Vendors and the Target Company, pursuant to which, amongst others, the Purchaser has agreed to purchase and the Vendors have agreed to sell the entire equity interest in the Target Company at the Consideration of RMB4,500,000 (equivalent to approximately HK\$5,179,500).

THE EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are set out below:

Date

16 February 2023

Parties

Vendors: 1. Chen Xiaochun

2. Wu Guoqian

Purchaser: Shenzhen First Class Fruits Company Limited (深圳市冠華水果商城有限公司), an indirect wholly-owned subsidiary of the Company in the PRC

Target Company: Shaanxi Pinshang Agricultural Products Trading Co., Ltd.* (陝西品尚農產品貿易有限公司)

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendors are Independent Third Parties.

Subject Matter

Under the Equity Transfer Agreement, the Vendors have agreed to sell, and the Purchaser has agreed to acquire the entire equity interest in the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company.

Consideration

The Consideration payable by the Purchaser under the Equity Transfer Agreement is RMB4,500,000 (equivalent to approximately HK\$5,179,500).

The details of the percentage of equity interest in the Target Company to be transferred and consideration payable to each of the Vendors are set out as follows:

	Percentage of equity interest in the Target Company to be transferred %	Consideration (RMB)
Chen Xiaochun	70%	3,150,000
Wu Guoqian	30%	1,350,000
Total	<u>100%</u>	<u>4,500,000</u>

The Consideration shall be fully paid by the Purchaser to the Vendors on the Completion Date.

Basis of the Consideration

The Consideration under the Equity Transfer Agreement of RMB4,500,000 (equivalent to approximately HK\$5,179,500) payable by Purchaser to the Vendors was determined and arrived at after arm's length negotiations between the Purchaser and the Vendors after having considered a number of factors including but not limited to (i) historical performance of the Target Company; and (ii) potential growth and prospects of the Target Company taking into account the contracts on hand of the Target Company. The valuation was carried out by an independent valuer engaged by the Company using the market approach.

Conditions Precedent

The Completion is conditional upon the fulfillment or, waiver (as the case may be) of, inter alia, the following conditions:

- (i) the Purchaser has engaged third parties, including lawyers, to carry out due diligence on the Target Company, including but not limited to the business, taxation, assets, material contracts, business licenses, legal and financial structure of the Target Company, and the Purchaser is satisfied with the results of the aforementioned due diligence;
- (ii) the Vendors, the Purchaser and the Target Company have obtained all necessary consents and authorisations for the transfer of the entire equity interest in the Target Company (a) from their respective internal authorities; or (b) in accordance with their respective articles of associations;
- (iii) the Vendor has completed the business registration for the Acquisition (including but not limited to the change of legal representative(s), directors, supervisor(s) and senior management as designated by the Purchaser);
- (iv) the Purchaser (or the nominee as designated by the Purchaser) has been registered as the sole shareholder of the Target Company; and

- (v) the articles of association of the Target Company having been revised pursuant to the Equity Transfer Agreement. The shareholders of the Target Company have signed the revised articles of association. The revision and the signing of the revised articles of association have been acknowledged by the Purchaser in writing.

The Purchaser shall be entitled to waive any one or more of the above conditions. If any of the above conditions has not been fulfilled or waived by the Purchaser on or before the Long Stop Date (or the other date as agreed by the Purchaser), the Purchaser shall be entitled to terminate the Equity Transfer Agreement in writing within ten working days after the Long Stop Date.

Completion

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company, and the financial results of the Target Company will be consolidated into the financial statements of the Group.

If all conditions precedent are fulfilled or waived (as the case may be) but the Purchaser failed to pay the Consideration, the Vendors and the Target Company shall be entitled to terminate the Equity Transfer Agreement.

Net profit undertaking

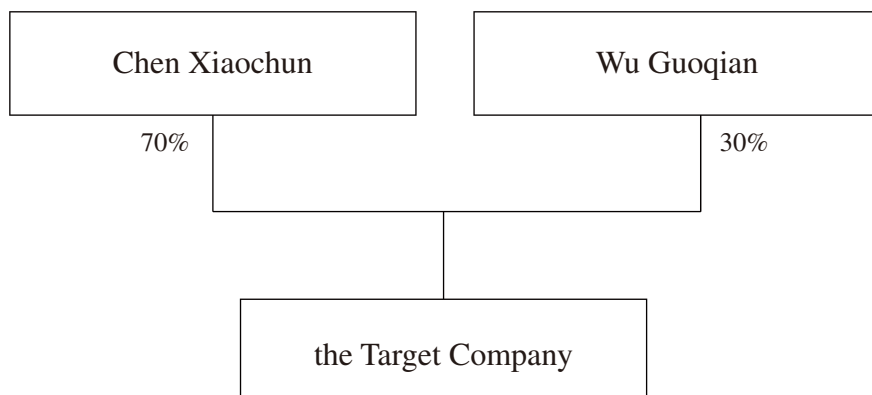
Pursuant to the Equity Transfer Agreement, the Vendors have undertaken that they will compensate the Purchaser for the shortfall between the committed and audited financial performance of the Target Company.

In the event that the audited net profit before taxation during the period between the Completion Date and 31 December 2023 (the “**Committed Period**”) generated from the Target Company is lower than RMB1,500,000 (equivalent to approximately HK\$1,726,500) (the “**Committed Net Profit**”), the Vendors shall compensate the Purchaser the variance between the audited net profit and the Committed Net Profit during the Committed Period.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the PRC with limited liability and is principally engaged in distribution and sales of agricultural products.

As at the date of this announcement, the shareholding structure of the Target Company is set out as follow:



To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendors are Independent Third Parties.

A summary of the unaudited financial information of the Target Company for the two years ended 31 December 2022 which was prepared in accordance with PRC Accounting Standards for Business Enterprise is as follow:

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>
Revenue	12,261	19,247
Net profit before taxation	68	396
Net profit after taxation	66	385

The unaudited total assets and the unaudited net assets value of the Target Company as at 31 December 2022 are RMB6,373,000 and RMB497,000 respectively.

INFORMATION OF THE COMPANY AND THE PURCHASER

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.

The Purchaser, an indirect wholly-owned subsidiary of the Company, is a limited company incorporated in the PRC and is principally engaged in the distribution of various high-quality fruits in the PRC.

INFORMATION OF THE VENDORS

Both Chen Xiaochun and Wu Guoqian are PRC residents.

To the best of the knowledge, information and belief of the Directors, after having made all reasonable enquiries, the Vendors are Independent Third Parties.

REASONS FOR AND BENEFITS OF THE ACQUISITION

As at the date of this announcement, the Company is an investment holding company and the Group is principally engaged in (i) the planting, cultivation and sales of agricultural produce in the PRC market; and (ii) the distribution of various high-quality fruits in the PRC; and (iii) the distribution and installation of air conditioners in the PRC. The Target Company mainly focuses on the business of distribution and sales of agricultural products in the PRC market.

Pursuant to the annual report of the Company for FY2022, the Company mainly focuses on the sales and distribution business of the agricultural products (mainly consisting of oranges) in the southern China, which contributed majority of the revenue generated from the sales and distribution of the agricultural products in FY2022.

Considering (i) the expansion of fruit distribution base across northern China; (ii) Shaanxi Province is the fourth largest producer of fruits and has the second largest area of plantations among all the provinces in the PRC in 2021 given it is in proximity to Yellow River and the climates are temperate for fruit plantation; (iii) the government of Shaanxi Province encouraged the further development on the plantation, processing and distribution of the fruit industry, pursuant to the 14th Five-Year Fruit Industry Development Plan of Shaanxi Province (陝西省「十四五」現代果業發展規劃); and (iv) the comprehensive experience in the distribution and sales of agricultural products of the Group, the Directors considered the development of fruit distribution base in Shaanxi Province will be beneficial to the Group's fruit distribution business and have therefore explored different potential acquisition targets to increase its market share in Shaanxi Province, the PRC.

In the process of seeking potential acquisition targets for expansion of the fruit distribution business, the Company has identified the Target Company located in Shaanxi Province, the PRC, which is mainly engaged in distribution and sales of agricultural products in Shaanxi Province, the PRC.

The Company noted that the Target Company has already developed a relatively comprehensive sales network in Shaanxi Province, including but not limited to distributors, through which the Target Company provided the high-quality agricultural products to its customers with competitive price. The Company considers the Acquisition as a compelling strategic opportunity to ease the reliance on market in southern China and the risk of generating substantial revenue from limited regions of the PRC. The Company intends to expand the existing sales channels and increase the sales volume of agricultural products in market across northern China through the Acquisition.

As such, the Company considers that the Acquisition represents a valuable opportunity to expand its market share in the sales of agricultural products across northern China and create a new profit stream.

Taking into account of the above, the Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement, including the Consideration, are fair and reasonable and on normal commercial terms and the Acquisition is in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) for the Company in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Acquisition”	the acquisition of the entire equity interest of the Target Company by the Purchaser from the Vendors pursuant to the terms and conditions of the Equity Transfer 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)
“Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Equity Transfer Agreement
“Completion Date”	the third business day after all conditions precedent are fulfilled
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration of RMB4,500,000 (equivalent to approximately HK\$5,179,500) for the Acquisition
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 16 February 2023 entered into between the Vendors, the Purchaser and the Target Company in relation to the Acquisition
“FY2022”	the year ended 30 June 2022
“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 Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s) which, to the best knowledge, information and belief of the Directors having made all reasonable enquiries, are third parties independent of and not connected with the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 May 2023 or such later date as the Purchaser and the Vendors may agree in writing
“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
“Purchaser”	Shenzhen First Class Fruits Company Limited (深圳市冠華水果商城有限公司), an indirect wholly-owned subsidiary of the Company established in the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shaanxi Pinshang Agricultural Products Trading Co., Ltd.* (陝西品尚農產品貿易有限公司), a company established in the PRC with limited liability, which is wholly-owned by the Vendors
“Vendors”	Chen Xiaochun and Wu Guoqian
“%”	per cent

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

Hong Kong, 16 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 the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of RMB1 to HK\$1.151. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

* For identification purposes only