ASIAN CITRUS HOLDINGS LIMITED
亞洲果業控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 73)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO DISCLOSEABLE TRANSACTION ACQUISITION OF TARGET COMPANY

Reference is made to the announcement of Asian Citrus Holdings Limited (the "**Company**") dated 16 February 2023 (the "**Announcement**") in relation to the acquisition of the entire equity interest in the Target Company. Terms used herein shall have the same meanings as defined in the Announcement unless otherwise stated.

In addition to the information provided in the Announcement, the Company would like to provide additional information in relation to the Acquisition as follows:

I. INFORMATION IN RELATION TO THE VALUATION OF THE TARGET COMPANY

Identity of the Valuer and Valuation

The valuation of the entire equity interest in the Target Company (the "**Valuation**") was carried out by Peak Vision Appraisals Limited, an independent and qualified valuer engaged by the Company (the "**Valuer**").

Pursuant to the valuation report of the Valuation (the "**Valuation Report**") dated 16 February 2023 issued by the Valuer, the appraised value of the entire equity interest in the Target Company is RMB4,500,000 as at the valuation date of 31 December 2022.

Valuation methodology adopted by the Valuer

For the valuation analysis, the market approach was adopted in deriving the fair value of the equity interest of the Target Company as at 31 December 2022 taking into account of the following factors:

(i) the income approach was not adopted as long term forecasts of the Target Company were unavailable;

(ii) the asset-based approach was not adopted due to the fact that (a) the valuation of the Target Company was conducted on a going concern basis; and (b) the appraised value of the Target Company under the asset-based approach was determined based on the summation of the assets of the Target Company, which might ignore the future economic benefits of the business of the Target Company as a whole; and

(iii) the market approach was adopted as there were a certain number of publicly traded companies engaged in the same or similar line of business as the Target Company that could be identified. The shares of these publicly traded companies were actively traded in free and open markets and could provide valid indicators of value to permit meaningful comparison.

Major assumptions of the Valuation

The major assumptions of the Valuation are summarised as follows:

- for the Target Company to continue as a going concern, the Target Company will successfully carry out all necessary activities for the development of its business;

- market trends and conditions where the Target Company operates will not deviate significantly from economic forecasts in general;

- interest rates and exchange rates in the localities for the operations of the Target Company will not differ materially from those presently prevailing;

- all relevant approvals, business certificates, licenses or other legislative or administrative authority from any local, provincial or national government, or private entity or organization required to operate in the localities obtained and renewable upon expiry unless otherwise stated; and

- there will be no major changes in the political, legal, economic or financial conditions and taxation laws in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues and profits attributable to the Target Company.

Key inputs of the Valuation

Selection of the comparable ratio

For valuation analysis for the Target Company, the price to earnings ("**P/E**") ratio has been adopted by the Valuer.

The Valuer considered that the P/E ratio was appropriate to be multiple in valuing the Target Company rather than the price to sale ("**P/S**") ratio or price to book ("**P/B**") ratio mainly due to: (i) earnings was the primary determinant of the appraised value; and (ii) P/S ratio and P/B ratio do not account for the profitability of the business and fail to reflect the true profitability and value of the business of the Target Company.

Selection basis of the comparables

In the course of the Valuation, 12 guideline public companies had been identified and selected by the Valuer as the comparable companies for the valuation analysis. Such companies were selected with reference to the following selection criteria:

(i) companies that are actively traded and publicly listed in Hong Kong and the PRC; and

(ii) over 50% of the revenue is derived from distribution of food products.

Market comparables

Based on the market data from the 12 comparable public companies, the adjusted P/E ratios of these comparable companies ranged from the minimum of 2.49 times to the maximum of 18.01 times, resulting in a mean of approximately 9.47 times and mean excluding outliers of approximately 9.08 times.

During the course of the Valuation, the Valuer adopted the mean excluding outliers rather than median as the multiple due to the fact that:

(i) the median cannot reflect the P/E ratios of all comparable companies, whereas the mean is commonly adopted and takes into account of the P/E ratios of all the comparable companies; and

(ii) the mean excluding outliers are not influenced by extreme values.

As such, the Valuer adopted the mean excluding outliers for the determination of multiple in the Valuation.

Control premium

Based on the research published by Mergerstat Control Premium Study, the overall median control premium at the Valuation Date was approximately 23%.

Lack of marketability discount

The Valuer imposed a lack of marketability discount ("**LOMD**") on the Target Company, since there is a major difference between a closely-held private company's common shares and those of its comparable public companies which is its lack of marketability. The Valuer has made reference to the 2021 edition of the Stout Restricted Stock Study Companion Guide, which indicates an average LOMD of approximately 20% based on empirical study, which is adopted in the Valuation.

II. BOARD'S VIEW ON THE CONSIDERATION

The Board has considered the following factors in respect of the Consideration:

(i) the Consideration represents the Valuation of the Target Company of RMB4.5 million;

(ii) the historical financial performance of the Target Company, including but not limited to revenue of approximately RMB19.25 million for the year ended 31 December 2022 ("**FY2022**") from its existing customers; and

(iii) the value of contracts on hand of the Target Company with an aggregate purchase commitment of no less than RMB20 million for the year ending 31 December 2023 ("**FY2023**") from two new customers.

Based on the above factors, the Board considers the Consideration is fair and reasonable and in the interests of the Company and the shareholders as a whole.

III. BOARD'S VIEW ON THE COMMITTED NET PROFIT

The Board has accepted the Committed Net Profit proposed by the Vendors with the view that it is achievable based on the following factors:

(i) the management accounts of the Target Company for FY2022, the Target Company recorded revenue of approximately RMB19.25 million with gross profit margin of approximately 3.2%;

(ii) the Target Company is a supplier of a leading premium fruit distribution company in the PRC, where the Target Company has entered into framework agreements with the leading premium fruit distribution company to continue to supply premium fruits in northern China for FY2023. As the leading premium fruit distribution company requires substantial quantity of fruits to supply the market, it is expected that this sales channel will continue to grow in the future;

(iii) the Target Company has secured two additional sales contracts with two new customers, pursuant to which the customers shall purchase fruits from the Target Company of no less than an aggregate amount of RMB20 million for FY2023; and

(iv) leveraging on (i) the comprehensive experience in the distribution and sales of agricultural products of the Group; and (ii) the distribution network of the Target Company in northern China, it is expected that the business of the Target Company will continue to grow after the Acquisition.

In light of the above factors, the Board consents to the view that, with the gradual recovery of the economy of the PRC, the Committed Net Profit is achievable. In addition, the Board considers, as the Vendors shall compensate the Group in the event the Committed Net Profit is not fulfilled, the determination of the Committed Net Profit and the respective compensation condition is in the interest of the Company and the Shareholders as a whole.

The above supplemental information does not affect other information and contents set out in the Announcement. Save as disclosed herein, the contents of the Announcement remain unchanged and shall continue to be valid for all purposes.

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

Hong Kong, 28 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*