

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt about any aspects of this circular or as to the action to be taken, you should consult your licensed dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Asian Citrus Holdings Limited, you should at once hand this circular together with the accompanying form of proxy (as applicable) to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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 AND NOTICE OF SPECIAL GENERAL MEETING**

**Financial adviser of the Company**



**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



Capitalized terms used in the lower portion of this cover page shall have the same respective meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 4 to 13 of this circular.

A notice convening the SGM to be held at United Conference Centre, Level 10, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 4 April 2023 at 9:00 a.m. is set out on pages SGM-1 to SGM-3 of this circular.

A form of proxy for use at the SGM is enclosed with this circular. If you are a Shareholder and are not able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and any power of attorney or other authority (if any) under which it is signed, or a certified copy of that power of attorney, to Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the SGM, or to Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom by 5:00 p.m. (UK time) on Thursday, 30 March 2023. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM, or any adjournment thereof, should they so wish and in such event the form of proxy shall be deemed to be revoked.

\* For identification purposes only

15 March 2023

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## DEFINITIONS

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

|                               |   |
|-------------------------------|---|
| “Acquisition”                 | the acquisition of the entire equity interest of Jinlong Construction by the Shenzhen First Class Fruits Company Limited (深圳市冠華水果商城有限公司) from JAC   |
| “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 and entered into between Jinlong Construction and JAC in relation to the Purchase of Goods  |
| “GITIC Shenzhen”              | Guangdong International Trust and Investment Corporation Shenzhen Branch* (廣東省國際信託投資公司深圳公司), a stated-owned enterprise established in the PRC on 19 June 1980 and an Independent Third Party of the Company as at the Latest Practicable Date   |
| “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 |

## DEFINITIONS

|  |   |
|--|---|
| “Independent Financial Adviser” or “Red Sun Capital Limited” | Red Sun Capital Limited, a licensed corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of 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  |
| “Interim Results Announcement”                               | the announcement of the Company dated 28 February 2023 in relation to the interim results of the Company for the six months ended 31 December 2022  |
| “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  |
| “Latest Practicable Date”                                    | 10 March 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular  |
| “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 circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan   |
| “Profit Warning Announcement”                                | the announcement of the Company dated 22 February 2023 in relation to the profit warning of the Company for the six months ended 31 December 2022   |

\* For identification purposes only

## DEFINITIONS

|                         |   |
|-------------------------|---|
| “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 was 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 Latest Practicable Date |
| “%”                     | per cent  |

\* For identification purposes only

LETTER FROM THE BOARD



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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 73)**

*Executive Directors:*

Mr. Ng Ong Nee

*(Chairman and Chief Executive Officer)*

Mr. Ng Hoi Yue

*(Deputy Chief Executive Officer)*

*Registered office*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Non-executive Director:*

Mr. James Francis Bittl

*Principal office of business in Hong Kong:*

1/F., Ching Cheong Industrial Building

1-7 Kwai Cheong Road

Kwai Chung, New Territories

Hong Kong

*Independent Non-executive Directors:*

Mr. Liu Ruiqiang

Mr. Lai Zheng

Mr. Wang Tianshi

Ms. Liu Jie

15 March 2023

*To the Shareholders*

Dear Sir or Madam,

**MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE PURCHASE OF GOODS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Company's announcement dated 3 February 2023 in relation to the Framework Agreement.

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.

\* For identification purposes only

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further information relating to the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders in relation to the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; and (iv) a notice of the SGM.

### 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.

## LETTER FROM THE BOARD

Before Jinlong Construction purchases electrical appliances, the purchasing department of Jinlong Construction will seek quotations from three or more distributors of electrical appliances, including but not limited to JAC. After that, the purchasing department of Jinlong Construction will 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:

|            | <b>Period from<br/>3 February<br/>2023 to<br/>30 June<br/>2023<br/>RMB'000</b> | <b>Year ending 30 June</b> |                         |
|------------|--|----------------------------|-------------------------|
|            |  | <b>2024<br/>RMB'000</b>    | <b>2025<br/>RMB'000</b> |
| Annual Cap | 33,000   | 64,000                     | 68,000                  |

Jinlong Construction is an authorized distributor of the relevant brand owners of electrical appliance in Meizhou. As such, Jinlong Construction is entitled to the terms offered by relevant brand owners, which are generally more favorable than those offered by other independent distributors. Therefore, Jinlong Construction used to purchase air conditioners directly from the relevant brand owners for distribution to its customers in Meizhou. As JAC is a supplier of electrical appliances in Shenzhen and Jinlong Construction did not have customer base in Shenzhen in the past, no historical transaction amounts in relation to the purchase of electrical appliances by Jinlong Construction from JAC were incurred up to the Latest Practicable Date.

### 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



## LETTER FROM THE BOARD

- (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.

### INTERNAL CONTROL MEASURES

The Group has adopted and implemented the following internal control procedures on the transactions contemplated under the Framework Agreement to ensure the terms and pricing basis thereof will be based on normal commercial terms which are no less favorable than those available from the Independent Third Parties including the relevant brand owners.

- (i) the finance department of Jinlong Construction will collect and summarize the transaction amounts, prepare the reports on a quarterly basis and submit the quarterly reports to the finance officer of the Company. The finance officer of the Company will review the quarterly reports and ensure that the transaction amounts incurred under the Framework Agreement and the anticipated transaction amounts will not exceed the Annual Cap;
- (ii) in the event that the anticipated transaction amounts are expected to exceed the Annual Cap, the finance department of Jinlong Construction will discuss with the management of the Company to consider the necessity to revise the Annual Cap based on the estimated transaction amounts. Such revision will be subject to the approval of the Board, the board of directors of Jinlong Construction and the Independent Shareholders (if necessary);
- (iii) the purchasing department of Jinlong Construction will ensure the terms, including but not limited to the price, brand, model and specification, payment and delivery terms, offered by JAC will be no less favorable than those offered by the Independent Third Parties including the relevant brand owners to Jinlong Construction and/or offered by JAC to the Independent Third Parties. In the event that the terms offered by JAC are less favorable than those offered by the Independent Third Parties including the relevant brand owners, Jinlong Construction will have the right not to purchase the Goods from JAC;
- (iv) the purchasing department, sales department and finance department of Jinlong Construction will conduct regular checks and assess whether the transactions contemplated under the Framework Agreement are conducted in accordance with the terms set out in the Framework Agreement;
- (v) the Company's audit committee will conduct an annual review on the transactions contemplated under the Framework Agreement to report if the transaction amounts are within the Annual Cap and the Group has complied with the terms and pricing basis of the Framework Agreement;

## LETTER FROM THE BOARD

- (vi) the independent non-executive Directors will conduct an annual review in accordance with the Listing Rules on the transactions contemplated under the Framework Agreement to confirm if that the Purchase of Goods is (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the terms of the Framework Agreement that are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and
- (vii) the Company's external auditor will conduct an annual review on the transactions contemplated under the Framework Agreement, in particular, (a) to ensure that the transaction amounts are within the Annual Cap and the transactions are in accordance with the terms set out in the Framework Agreement; and (b) to provide a letter to the Board in accordance with the Listing Rules.

In view of the internal control measures above, the Directors are of the view that appropriate measures are in place to ensure that the transactions contemplated under the Framework Agreement will be conducted on normal commercial terms or better and not prejudicial to the interest of the Company and the Shareholders as a whole.

### INFORMATION OF THE COMPANY

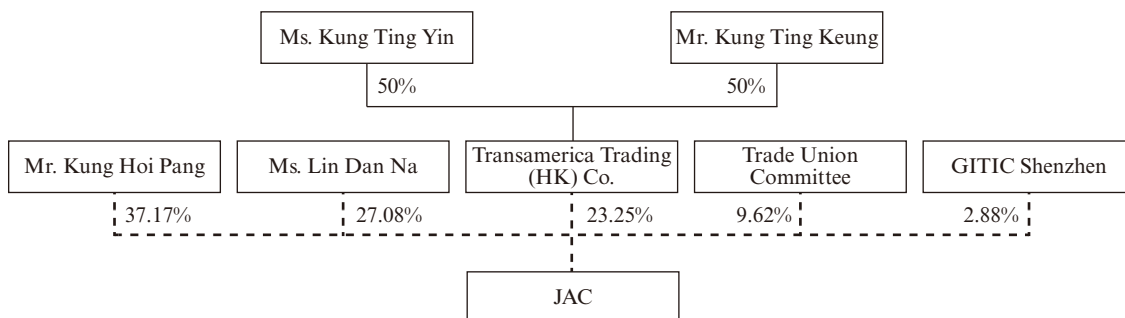
The Company is an investment holding company incorporated in Bermuda with limited liability. The principal business activities of the Group include (i) the planting, cultivation and sales of agricultural produce in the PRC market; (ii) the distribution of various high-quality fruits in the PRC; and (iii)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



———— Direct holding

- - - - Indirect holding

## LETTER FROM THE BOARD

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 Latest Practicable Date. 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**

Regarding the air conditioners distribution business, Jinlong Construction generally purchases air conditioners from relevant brand owners and other independent distributors for distribution, installation and maintenance services for its customers.

Jinlong Construction is an authorized distributor of the relevant brand owners of electrical appliance in Meizhou. As such, Jinlong Construction is entitled to the terms offered by relevant brand owners, which are generally more favorable than those offered by other independent distributors. Therefore, Jinlong Construction used to purchase air conditioners directly from the relevant brand owners for distribution to its customers in Meizhou.

Having established the business presence in Meizhou, the Group considers to continue to explore and expand its air conditioner distribution business into the market in Shenzhen. As such, the Company proposed to enter into the Framework Agreement with JAC due to the following reasons:

- (i) JAC is an authorized distributor of relevant brand owners in Shenzhen and is entitled to the favorable terms offered by relevant brand owners. As such, Jinlong Construction may purchase electrical appliances from JAC if the terms of the Purchase of Goods offered by JAC will be no less favorable to Jinlong Construction than those offered by the Independent Third Parties, including but not limited to the relevant brand owners;

## LETTER FROM THE BOARD

- (ii) since JAC is a supplier of electrical appliances in Shenzhen, Jinlong Construction will be able to shorten the time needed for the delivery of electrical appliance and obtain a prompt response from JAC due to the close proximity between Jinlong Construction and JAC. As such, Jinlong Construction will be able to distribute air conditioners and provide installation services to its customers in a more timely manner, which may allow the Group to satisfy more orders from customers and expand its market share in Shenzhen;
- (iii) as disclosed in the announcement of the Company dated 29 June 2021 in relation to the Acquisition, Jinlong Construction was a wholly-owned subsidiary of JAC before becoming an indirect wholly-owned subsidiary of the Company. 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; and
- (iv) given that the Framework Agreement is non-exclusive, the entering into of the Framework Agreement may provide flexibility as 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 the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, 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.

## **LETTER FROM THE BOARD**

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 the 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 AND PROXY ARRANGEMENT**

Set out on pages SGM-1 to SGM-3 of this circular is a notice convening the SGM to be held at United Conference Centre, Level 10, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 4 April 2023 at 9:00 a.m. (Hong Kong time). The SGM will be held for the purpose of, considering and, if thought fit, passing the ordinary resolution(s) to approve, among other things, the Framework Agreement, the transactions contemplated thereunder and the Annual Cap.

A form of proxy for use at the SGM is enclosed in this circular. If you are a Shareholder and are not able to attend the SGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon and any power of attorney or other authority (if any) under which it is signed, or a certified copy of attorney, to the Company's branch share registrars, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for the holding of the SGM, or to Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom by 5:00 p.m. (UK time) on Thursday, 30 March 2023 or any adjournment thereof. Completion and return of the form of proxy will not preclude any Shareholder from attending and voting in person at the SGM or any adjourned meeting should the Shareholder so wish and, in such event, the form of proxy shall be deemed to be revoked.

## **LETTER FROM THE BOARD**

Pursuant to the Listing Rules, any Shareholder who has a material interest in the Framework Agreement, the transactions contemplated thereunder and the Annual Cap and his/her/its close associates is/are required to abstain from voting on the relevant resolution(s) at the SGM. As at the Latest Practicable Date, Mr. Kung is interested in 419,298,000 Shares which comprise approximately 16.77% of the total number of Shares in issue. 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.

### **VOTING BY POLL**

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions put forward at the SGM will be voted on by poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Poll results will be announced by the Company by means set out in Rule 13.39(5) of the Listing Rules after the SGM.

### **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the eligibility to attend and vote at the SGM, the register of members of the Company will be closed from Thursday, 30 March 2023 to Tuesday, 4 April 2023, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of Shareholders who are entitled to attend and vote at the SGM, all Share transfers, accompanied by the relevant Share certificates, must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Wednesday, 29 March 2023.

### **RECOMMENDATION**

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 14 to 15 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders regarding the resolution to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; (ii) the letter from the Independent Financial Adviser set out on pages 16 to 32 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, the transactions contemplated thereunder and the Annual Cap; and (iii) additional information set out in the appendix to this circular.

## LETTER FROM THE BOARD

The Directors (other than 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 but including members of the Independent Board Committee after receiving the advice from the Independent Financial Adviser) consider that the terms of the Framework Agreement and the Annual Cap are fair and reasonable, and 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 the Shareholders as a whole. Accordingly, the Directors recommend that the Independent Shareholders to vote in favour of the resolutions to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap at the SGM.

### ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully,  
On behalf of the Board  
**Asian Citrus Holdings Limited**  
**Ng Ong Nee**  
*Chairman*



**ASIAN CITRUS HOLDINGS LIMITED**

**亞洲果業控股有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 73)**

15 March 2023

*To the Shareholders,*

Dear Sir or Madam,

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

We refer to the circular of the Company dated 15 March 2023 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed as the members of the Independent Board Committee to consider and advise the Independent Shareholders as to whether the terms of the Framework Agreement and the Annual Cap are fair and reasonable, and 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 the Shareholders as a whole.

Red Sun Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard. We wish to draw your attention to its letter of advice which is set out on pages 16 to 32 of the Circular.

Having taken into account of the advice of Red Sun Capital Limited, the Independent Financial Adviser, we consider that the terms of the Framework Agreement and the Annual Cap are fair and reasonable, and 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 the Shareholders as a whole.

\* *For identification purposes only*



**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Framework Agreement, the transactions contemplated thereunder and the Annual Cap.

Yours faithfully,

For and on behalf of the

**Independent Board Committee of  
Asian Citrus Holdings Limited**

**Mr. Liu Ruiqiang**

*Independent  
Non-executive  
Director*

**Mr. Lai Zheng**

*Independent  
Non-executive  
Director*

**Mr. Wang Tianshi**

*Independent  
Non-executive  
Director*

**Ms. Liu Jie**

*Independent  
Non-executive  
Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders in relation to the Framework Agreement and the transactions as contemplated thereunder (including the Annual Caps), which has been prepared for the purpose of inclusion in this circular.*



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RED SUN CAPITAL LIMITED

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15 March 2023

*To: The independent board committee of and the independent shareholders of  
Asian Citrus Holdings Limited*

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

#### I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders with regard to the major and continuing connected transactions in connection with the Framework Agreement and the transactions as contemplated thereunder (including the Annual Cap) (together the “**Continuing Connected Transactions**”). Details of the Framework Agreement with JAC are set out in the letter from the Board (the “**Letter from the Board**”) of the circular to the Shareholders dated 15 March 2023 (the “**Circular**”). Unless otherwise stated, terms defined in the Circular have the same meanings in this letter.

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.

As at the Latest Practicable Date, 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.

## **LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

As at the Latest Practicable Date, Mr. Kung is a substantial Shareholder of the Company holding 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.

### **II. THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all of the independent non-executive Directors, namely Mr. Liu Ruiqiang, Mr. Lai Zheng, Mr. Wang Tianshi and Ms. Liu Jie, has been established to advise the Independent Shareholders as to whether or not the terms of Framework Agreement are fair and reasonable, and whether the transactions contemplated thereunder and the Annual Cap are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Company and Shareholders as a whole.

We have been appointed to advise the Independent Board Committee and the Independent Shareholders in these respects and to give our opinion in relation to the Framework Agreement, the transactions contemplated thereunder and the Annual Cap for the Independent Board Committee's consideration when making their recommendation to the Independent Shareholders.

### **III. OUR INDEPENDENCE**

As at the Latest Practicable Date, we were independent from and not connected with the Company, JAC or any relevant parties in connection with the Framework Agreement and the transactions as contemplated thereunder (including the Annual Cap) and accordingly, are qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Framework Agreement and the transactions as contemplated thereunder (including the Annual Cap).

Save for our appointment as the Independent Financial Adviser, Red Sun Capital Limited did not act as an independent financial adviser to the Company under the Listing Rules in the past two years. Apart from the normal advisory fee payable to us in connection with our appointment as the Independent Financial Adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### IV. BASIS OF OUR ADVICE

In formulating our advice to the Independent Board Committee and the Independent Shareholders, we have relied solely on the statements, information, opinions, beliefs and representations for matters relating to the Group and JAC contained in the Circular and the information and representations provided to us by the Group and/or its senior management (the “**Management**”) and/or the Directors. We have assumed that all such statements, information, opinions, beliefs and representations contained or referred to in the Circular (including this letter) or otherwise provided or made or given by the Group and/or the Management and/or the Directors and for which it is/they are solely responsible were true and accurate, and valid and complete in all material respects at the time they were made and given and continue to be true and accurate, and valid and complete in all material respects as at the date of the Circular. We have assumed that all the opinions, beliefs and representations for matters relating to the Group and JAC made or provided by the Management and/or the Directors contained in the Circular have been reasonably made after due and careful enquiry. We have also sought and obtained confirmation from the Company and/or the Management and/or the Directors that no material facts have been omitted from the information provided and referred to in the Circular.

We have not, however, carried out any independent verification of the information provided, nor have we conducted any independent investigation into the financial position, business and affairs of the Group, JAC or their respective history, experience and track records, or the prospects of the markets in which they respectively operate.

We consider that we have been provided with sufficient information to enable us to reach an informed view and to provide a reasonable basis for our advice. We have no reason to doubt the truth, accuracy and completeness of the statements, information, opinions and representations provided to us by the Group, the Directors and/or the Management and their respective advisers or to believe that material information has been withheld or omitted from the information provided to us or referred to in the aforesaid documents.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely for their consideration of the transactions contemplated under the Framework Agreement and the Annual Cap, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### V. BACKGROUND INFORMATION OF THE CONTINUING CONNECTED TRANSACTIONS

In formulating our opinion on the Framework Agreement and the transactions as contemplated thereunder (including the Annual Cap), we have taken into consideration the following factors and reasons.

#### 1. *Information of the Group*

As set out in the Letter from the Board, the principal business activities of the Group include (i) the planting, cultivation and sales of agricultural produce in the PRC market (the “**Plantation Business**”); (ii) the distribution of various high-quality fruits in the PRC (the “**Fruit Distribution Business**”) and (iii) the distribution and installation of air conditioners in the PRC (the “**Air Conditioners Distribution Business**”).

Set out below is a summary of the audited consolidated statements of profit or loss for the years ended 30 June 2021 and 2022 as extracted from the Company’s annual report for the year ended 30 June 2022 (the “**2022 Annual Report**”) and interim results announcement for the six months ended 31 December 2022 (the “**2023 Interim Results Announcement**”), respectively:

#### *Summary of consolidated statements of profit or loss*

| <i>(RMB'000)</i>  | <b>For the year ended<br/>30 June</b> |                  | <b>For the six months ended<br/>31 December</b> |                    |
|---|---------------------------------------|------------------|---|--------------------|
|   | <b>2021</b>                           | <b>2022</b>      | <b>2021</b>                                     | <b>2022</b>        |
|   | <i>(Audited)</i>                      | <i>(Audited)</i> | <i>(Unaudited)</i>                              | <i>(Unaudited)</i> |
| <b>Revenue</b>  |                                       |                  |   |                    |
| – Plantation Business   | 26,174                                | 8,510            | 6,440   | 574                |
| – Fruit Distribution Business   | 169,444                               | 123,155          | 84,142  | 673                |
| – Air Conditioners<br>Distribution Business                                     | –                                     | 11,907           | –   | 19,898             |
| Total revenue   | 195,618                               | 143,572          | 90,582  | 21,145             |
| Profit / (loss) before tax  | 7,319                                 | (19,026)         | 2,738   | (18,941)           |
| Profit / (loss) for the year/period<br>attributable to owners of the<br>Company | 3,992                                 | (20,696)         | 1,423   | (18,634)           |

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*For the six months ended 31 December 2022 compared to the six months ended 31 December 2021*

The Group recorded revenue of approximately RMB90.6 million and RMB21.1 million for the six months ended 31 December 2021 and 2022, respectively, representing a decrease of approximately RMB69.5 million or 76.7%.

Revenue generated from the Plantation Business amounted to approximately RMB6.4 million and RMB0.6 million for the six months ended 31 December 2021 and 2022, respectively, representing a decrease of approximately RMB5.8 million or 90.6%, which was mainly attributable to (i) the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in Guangxi during the period, farmers in Guangxi were unable to spray pesticide or maintain the citrus trees in the plantation on a regular basis. As such, the citrus trees were severely affected by pests and diseases, and the quality of the citrus was defeated as a result. Therefore, no oranges were sold during the period; and (ii) the monthly contribution payable to the co-operator of RMB300,000 came into effect on 1 January 2022 due to the rising cost of farmland.

Revenue from the Fruit Distribution Business amounted to approximately RMB84.1 million and RMB0.7 million for the six months ended 31 December 2021 and 2022, respectively, representing a decrease of approximately RMB83.4 million or 99.2%. The decrease was mainly attributable to (i) the implementation of the tightened COVID-19 prevention and local lockdown arrangements in Shenzhen, a significant majority of the staff of the Group in Shenzhen were generally under work-from-home arrangement during the period, which caused practical difficulties for the Group to deploy sufficient manpower to perform the importing procedures of fruits from overseas countries to the PRC; and (ii) the logistics services for the delivery of fruits to the distribution centers were disrupted from time to time by the relevant measures.

Revenue from the Air Conditioners Distribution Business amounted to approximately RMB19.9 million for the six months ended 31 December 2022. The Air Conditioners Distribution Business commenced upon the completion of the acquisition of Jinlong Construction in December 2021. During the period, the Group purchased air conditioners from the brand owners and sold the air conditioners to electrical appliance stores in Meizhou City, the PRC.

Loss for the period attributable to owners of the Company amounted to approximately RMB18.6 million for the six months ended 31 December 2022, compared to profit for the period attributable to owners of the Company of approximately RMB1.4 million for the six months ended 31 December 2021.

*For the year ended 30 June 2022 compared to the year ended 30 June 2021*

For the year ended 30 June 2022, revenue of the Group decreased by approximately RMB52.0 million or approximately 26.6%, from approximately RMB195.6 million for the year ended 30 June 2021 to approximately RMB143.6 million for the year ended 30 June 2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Group's revenue was derived primarily from (i) the Plantation Business; (ii) the Fruit Distribution Business; and (iii) the Air Conditioners Distribution Business. Revenue generated from the Plantation Business amounted to approximately RMB8.5 million and RMB26.2 million for the years ended 30 June 2022 and 2021, respectively, representing a decrease of approximately RMB17.7 million or 67.5%. The decrease in revenue from the Plantation Business was primarily attributable to both the harvest quantity and quality of the citrus suffered due to the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in Guangxi in early 2022, as the citrus trees did not receive regular attendance and maintenance properly. In addition, the monthly contribution payable to a cooperator of RMB300,000 came into effect on 1 January 2022 due to the rising costs of farmland.

The revenue from the Fruit Distribution Business amounted to approximately RMB123.2 million, representing a decrease of approximately RMB46.2 million or approximately 27.3% compared to that of the year ended 30 June 2021. Such decrease was mainly due to (i) difficulties faced by the Group in importing fruits from the U.S. and Australia to the PRC; (ii) COVID-19 lockdown measures in countries and regions where the Group sourced fruits at the material time; and (iii) global supply chain shortages indirectly caused by COVID-19 pandemic as a result of limited shipment containers offered by freight operators; and (iv) unfavourable weather in certain regions which adversely affected harvest of certain fruits leading to a decrease in quality and selling price of the fruits.

On the other hand, the Group has explored opportunities with a view to improve its profitability through diversify its business by commencing the Air Conditioners Distribution Business. In June 2021, Shenzhen First Class Fruits Company Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement to acquire the entire equity interest of the Jinlong Construction (the "**Acquisition**"). The Acquisition was completed in December 2021, after which Jinlong Construction became an indirect wholly-owned subsidiary of the Company and the financial position and results of Jinlong Construction were consolidated into the Group's consolidated financial statements. Subsequent to the completion of the Acquisition in December 2021, the Group has generated revenue from its Air Conditioners Distribution Business of approximately RMB11.9 million, representing 8.3% of the Group's total revenue for the year ended 30 June 2022.

Overall, the Group recorded loss for the year attributable to owners of the Company of approximately RMB20.7 million for the year ended 30 June 2022 and profit for the year attributable to owners of the Company of approximately RMB4.0 million for the year ended 30 June 2021, representing a decrease of approximately RMB24.7 million. Such decrease was mainly attributable to (i) the analysis as set out above in respect of each of the Group's businesses; (ii) the decrease in realised gain arising from changes in fair value of biological assets less costs to sell as a result of the unfavourable harvest quantity and quality of the Group's oranges due to the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in Guangxi in early 2022; (iii) the increase in distribution and other operating expenses as the Group imported more fruits for the Fruit Distribution

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Business, including coconuts and durians, during the year ended 30 June 2022; and (iv) the increase in provision for impairment loss recognised in respect of trade and other receivable and loan receivable under the expected credit losses model.

### *Summary of the consolidated statement of financial position*

| <i>(RMB'000)</i>                              | <b>As at 30 June<br/>2021</b> | <b>2022</b>      | <b>As at<br/>31 December<br/>2022</b> |
|---|-------------------------------|------------------|---------------------------------------|
|   | <i>(Audited)</i>              | <i>(Audited)</i> | <i>(Unaudited)</i>                    |
| <b>Total assets</b>                           | <b>266,325</b>                | <b>230,591</b>   | <b>205,368</b>                        |
| – Property, plant and equipment               | 67,886                        | 63,234           | 43,597                                |
| – Right-of-use assets                         | –                             | 51,928           | 50,636                                |
| – Cash and cash equivalents                   | 167,876                       | 48,100           | 25,520                                |
| – Trade and other receivables and prepayments | 24,049                        | 36,747           | 29,490                                |
| – Inventories                                 | 994                           | 19,492           | 8,157                                 |
| <b>Total liabilities</b>                      | <b>51,797</b>                 | <b>29,071</b>    | <b>19,650</b>                         |
| – Trade and other payables                    | 11,535                        | 28,498           | 14,584                                |
| – Contract liabilities                        | 39,411                        | 164              | –                                     |
| <b>Total equity</b>                           | <b>214,528</b>                | <b>201,520</b>   | <b>185,718</b>                        |

*Note:* For the avoidance of doubt, only selected major asset and liability components are disclosed in the table above.

### *Financial position of the Group as at 31 December 2022 compared to 30 June 2022*

Total assets of the Group as at 31 December 2022 primarily comprised (i) property, plant and equipment, which amounted to approximately RMB43.6 million as compared to approximately RMB63.2 million as at 30 June 2022; (ii) right-of-use assets, which amounted to approximately RMB50.6 million as compared to approximately RMB51.9 million as at 30 June 2022; (iii) trade and other receivables and prepayments, which amounted to approximately RMB29.5 million as compared to approximately RMB36.7 million as at 30 June 2022; and (iv) cash and cash equivalents, which amounted to approximately RMB25.5 million as compared to approximately RMB48.1 million as at 30 June 2022.

Total liabilities of the Group as at 31 December 2022, being approximately RMB19.7 million, primarily comprised trade and other payables, which amounted to approximately RMB14.6 million, representing a decrease of approximately RMB13.9 million as compared to approximately RMB28.5 million as at 30 June 2022.



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### *Financial position of the Group as at 30 June 2022 compared to 30 June 2021*

Total assets of the Group as at 30 June 2022 primarily comprised (i) property, plant and equipment, which amounted to approximately RMB63.2 million as compared to approximately RMB67.9 million as at 30 June 2021; (ii) right-of-use assets, which amounted to approximately RMB51.9 million, mainly due to the acquisition of land and various buildings located in Shenzhen, the PRC completed in November 2021; (iii) cash and cash equivalents, which amounted to approximately RMB48.1 million, representing a decrease of approximately RMB119.8 million as compared to approximately RMB167.9 million as at 30 June 2021, primarily attributable to the acquisition of land and various buildings located in Shenzhen, the PRC, increase in inventories, and the loss recorded for the year ended 30 June 2022 as discussed above; (iv) trade and other receivables and prepayments, which amounted to approximately RMB36.7 million as compared to approximately RMB24.0 million as at 30 June 2021, primarily attributable to the increase in deposits paid and other receivables of approximately RMB11.8 million; and (v) inventories, which amounted to approximately RMB19.5 million as compared to approximately RMB1.0 million as at 30 June 2021, mainly attributable to the increase in finished goods.

Total liabilities of the Group as at 30 June 2022, being approximately RMB29.1 million, primarily comprised (i) trade and other payables, which amounted to approximately RMB28.5 million, representing an increase of approximately RMB17.0 million as compared to approximately RMB11.5 million as at 30 June 2021, mainly attributable to JAC in respect of the advance to Jinlong Construction of approximately RMB18.7 million; and (ii) contract liabilities, which amounted to approximately RMB0.2 million as at 30 June 2022 as compared to approximately RMB39.4 million as at 30 June 2021, mainly arisen from sale of various fruits.

## **2. Information on 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 Latest Practicable Date, 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 at the Latest Practicable Date, Mr. Kung Hoi Pang is the ultimate beneficial owner of JAC.

**3. Background information on the electrical appliances industry in the PRC**

As set out on the website of the National Bureau of Statistics of the PRC (<http://data.stats.gov.cn>) and the PRC 2022 Gross Domestic Product Preliminary Results\* (2022年全年國內生產總值初步核算結果), year-on-year growth in gross domestic product (“GDP”) for the PRC in 2022 was approximately 3.0% based on preliminary published figures. Such relatively moderate GDP growth for 2022 was partly attributable to the re-emergence of COVID-19 cases in various regions / cities of the PRC from time to time in 2022. In this connection, the PRC government introduced various regulations and measures to manage and contain the re-emergence of these COVID-19 cases, some of which may have temporarily affected the level of business activities in the subject area at the relevant time. However, in or around the end of 2022, the PRC government has relaxed the COVID-19 related containment measures and such is expected to be conducive to business activities in the PRC over time.

It is also noted that PRC government departments, among others, the Ministry of Industry and Information Technology\* (工業和資訊化部) and the Ministry of Commerce\* (商務部), jointly issued the Guidance on Promoting High-Quality Development of Light Industry\* (關於推動輕工業高質量發展的指導意見)<sup>1</sup> in June 2022 (the “**Policy Guidance**”), promoting the acceleration of improvements on the energy efficiency of electronic products, such as home appliances and lighting products, and enhancing the consumption of green and energy-saving light industrial products, including energy-saving air conditioners, refrigerators, water heaters, high-efficiency lighting products, degradable material products, and low-volatile organic compounds s inks, and enabling places that are feasible to conduct green smart home appliances going to the countryside and renewal of home appliances. To this end, it is expected that the development of the electrical appliances industry will continue to subject to the PRC government policies going forward.

**VI. PRINCIPAL FACTORS AND REASONS CONSIDERED**

**1. Reasons for and benefits of entering into the Framework Agreement**

As disclosed in the Letter from the Board, Jinlong Construction is principally engaged in the sales, installation and on-site maintenance of air conditioners. JAC is principally engaged in the sales of air conditioners. Regarding the air conditioners distribution business, Jinlong Construction generally purchases air conditioners from relevant brand owners and other independent distributors for distribution, installation and maintenance services for its customers.

Jinlong Construction is an authorized distributor of the relevant brand owners of electrical appliance in Meizhou. As such, Jinlong Construction is entitled to the terms offered by relevant brand owners, which are generally more favorable than those offered by other independent distributors. Therefore, Jinlong Construction used to purchase air conditioners directly from the relevant brand owners for distribution to its customers in Meizhou.

\* For identification purposes only

<sup>1</sup> Guidance on Promoting the High-Quality Development of Light Industry\* (關於推動輕工業高質量發展的指導意見) (Source: [https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2022/art\\_8b7cdd1bdf824db59851d2d3787dd2d0.html](https://www.miit.gov.cn/zwgk/zcwj/wjfb/yj/art/2022/art_8b7cdd1bdf824db59851d2d3787dd2d0.html))

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Having established the business presence in Meizhou, the Group considers to continue to explore and expand its air conditioner distribution business into the market in Shenzhen. As such, the Company proposed to enter into the Framework Agreement with JAC due to the following reasons:

- (i) JAC is an authorized distributor of relevant brand owners in Shenzhen and is entitled to the favorable terms offered by relevant brand owners. As such, Jinlong Construction may purchase electrical appliances from JAC if the terms of the Purchase of Goods offered by JAC will be no less favorable to Jinlong Construction than those offered by the Independent Third Parties, including but not limited to the relevant brand owners;
- (ii) since JAC is a supplier of electrical appliances in Shenzhen, Jinlong Construction will be able to shorten the time needed for the delivery of electrical appliance and obtain a prompt response from JAC due to the close proximity between Jinlong Construction and JAC. As such, Jinlong Construction will be able to distribute air conditioners and provide installation services to its customers in a more timely manner, which may allow the Group to satisfy more orders from customers and expand its market share in Shenzhen;
- (iii) as disclosed in the announcement of the Company dated 29 June 2021 in relation to the Acquisition, Jinlong Construction was a wholly-owned subsidiary of JAC before becoming an indirect wholly-owned subsidiary of the Company. Considering that Jinlong Construction and JAC have close business relationship for 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; and
- (iv) given that the Framework Agreement is non-exclusive, the entering into of the Framework Agreement may provide flexibility as 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.

Having considered that, (i) the Group commenced the Air Conditioners Distribution Business in December 2021 and recorded revenue of approximately RMB11.9 million and RMB19.9 million for the year ended 30 June 2022 and the six months ended 31 December 2022, respectively, after the completion of the Acquisition, details of which were disclosed in the Company's announcements dated 29 June 2021 and 12 July 2021, and the Directors expect the Air Conditioners Distribution Business to grow steadily over time; (ii) the Continuing Connected Transactions are a furtherance of the principal business of the Group that will facilitate the broadening of the Group's income base; and (iii) the Group has the right but not the obligation to purchase the Goods from JAC at terms determined in accordance with the pricing policies under the Framework Agreement, we concur with the Directors' view that the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole.

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### 2. *Principal terms of the Framework Agreement*

The following information has been extracted from the Letter from the Board:

Date: 3 February 2023 (after trading hours of the Stock Exchange)

Parties: (i) Jinlong Construction, as purchaser; and  
(ii) JAC, as seller

Scope of products: Pursuant to the Framework Agreement, Jinlong Construction will purchase electrical appliances (including air conditioners)

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 (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 electrical appliances, the purchasing department of Jinlong Construction will seek quotations from three or more distributors of electrical appliances, including but not limited to JAC. After that, the purchasing department of Jinlong Construction will 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.

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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.

For further details of the principal terms of the Framework Agreement, please refer to the section headed “The Framework Agreement” in the Letter from the Board.

### ***3. Analysis on the principal terms and the internal control procedures***

As stated in the Letter from the Board, the basis of the price and terms of the Purchase of Goods under the Framework Agreement will be determined after arm’s length negotiation between Jinlong Construction and JAC based on normal commercial terms (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 electrical appliances, the purchasing department of Jinlong Construction will seek quotations from three or more distributors of electrical appliances, including but not limited to JAC. After that, the purchasing department of Jinlong Construction will review and compare the terms, including but not limited to the price, brand, model and specification, payment and delivery, 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 (i) offered by the Independent Third Parties including the relevant brand owners to Jinlong Construction; and/or (ii) offered by JAC to the Independent Third Parties.

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Prior to the Framework Agreement, the Company had not purchased the relevant Goods from JAC. In this connection, we have reviewed 10 sampled transactions/contracts of purchase of air conditioners under the Air Conditioners Distribution Business, entered into by the Group during the six months ended 31 December 2022 and the one month ended 31 January 2023, selected on a random basis, which included transactions of major types of air conditioners with the relevant independent distributor under the Air Conditioners Distribution Business. We also obtained and compared the quotation template for air conditioners in connection with the Continuing Connected Transactions which requested for, among others, price payment and credit terms. Based on the information reviewed, we noted that the Group shall compare the terms offered, and purchase the Goods at the terms no less favourable than terms available from the Independent Third Party(ies), we consider the effective implementation of such procedures should ensure the Continuing Connected Transactions to be conducted on terms that are fair and reasonable, which shall in turn safeguard the interests of the Company and the Shareholders as a whole. As the aforesaid sampled transactions/contracts covered the recent financial period, and involved major types of air conditioners purchased under the Air Conditioners Distribution Business, we considered the above sample size to be appropriate and representative for the purposes of our analysis.

In addition, as set out in the Letter from the Board, the Group has adopted and implemented the following internal control procedures on the transactions contemplated under the Framework Agreement to ensure the terms and pricing basis thereof will be based on normal commercial terms which are no less favorable than those available from the Independent Third Parties including the relevant brand owners.

- (i) the finance department of Jinlong Construction will collect and summarize the transaction amounts, prepare the reports on a quarterly basis and submit the quarterly reports to the finance officer of the Company. The finance officer of the Company will review the quarterly reports and ensure that the transaction amounts incurred under the Framework Agreement and the anticipated transaction amounts will not exceed the Annual Cap;
- (ii) in the event that the anticipated transaction amounts are expected to exceed the Annual Cap, the finance department of Jinlong Construction will discuss with the management of the Company to consider the necessity to revise the Annual Cap based on the estimated transaction amounts. Such revision will be subject to the approval of the Board, the board of directors of Jinlong Construction and the Independent Shareholders (if necessary);
- (iii) the purchasing department of Jinlong Construction will ensure the terms, including but not limited to the price, brand, model and specification, payment and delivery terms, offered by JAC will be no less favorable than those offered by the Independent Third Parties including the relevant brand owners to Jinlong Construction and/or offered by JAC to the Independent Third Parties. In the event that the terms offered by JAC are less favorable than those offered by the Independent Third Parties including the relevant brand owners, Jinlong Construction will have the right not to purchase the Goods from JAC;

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) the purchasing department, sales department and finance department of Jinlong Construction will conduct regular checks and assess whether the transactions contemplated under the Framework Agreement are conducted in accordance with the terms set out in the Framework Agreement;
- (v) the Company's audit committee will conduct an annual review on the transactions contemplated under the Framework Agreement to report if the transaction amounts are within the Annual Cap and the Group has complied with the terms and pricing basis of the Framework Agreement;
- (vi) the independent non-executive Directors will conduct an annual review in accordance with the Listing Rules on the transactions contemplated under the Framework Agreement to confirm if that the Purchase of Goods is (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) according to the terms of the Framework Agreement that are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and
- (vii) the Company's external auditor will conduct an annual review on the transactions contemplated under the Framework Agreement, in particular, (a) to ensure that the transaction amounts are within the Annual Cap and the transactions are in accordance with the terms set out in the Framework Agreement and (b) to provide a letter to the Board in accordance with the Listing Rules.

In this connection, we have obtained and reviewed the internal procedures of the Group governing the transactions contemplated under the Framework Agreement with a view to ensure that the terms of the Purchase of Goods shall 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, which involves, among others, the review and approval of the terms of relevant transactions by the relevant department and the management of the Group prior to the placing of the subject order(s). With a view to ensure that the transactions pursuant to the Framework Agreement are conducted on normal commercial terms, the relevant designated personnel of the Group shall review and assess whether the transactions contemplated under the Framework Agreement are conducted in accordance with the relevant terms prior to the transactions. As advised by the Management, such internal procedures will be adopted and shall apply to transactions contemplated under the Framework Agreement for the period from 3 February 2023 to 30 June 2023 and the years ending 30 June 2024 and 2025. We noted that the comparison of terms offered by JAC and Independent Third Parties will be prepared by the purchasing department of Jinlong Construction, while the review and approval of the terms of relevant transactions will be performed by finance department of Jinlong Construction prior to processing the subject order(s), which shall ensure the transactions under the Framework Agreement to be conducted on terms not less favourable to the Group than those terms transacted with/available from the Independent Third Parties.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. *Annual Cap*

The table below sets forth the Annual Cap for the transactions contemplated under the Framework Agreement with JAC for the period from 3 February 2023 to 30 June 2023 and the years ending 30 June 2024 and 2025:

|                             | <b>For the<br/>period from<br/>3 February 2023<br/>to<br/>30 June 2023</b> | <b>For the year ending<br/>30 June<br/>2024</b>   | <b>2025</b> |
|-----------------------------|--|---|-------------|
| Annual Cap<br>(RMB'000)     | 33,000   | 64,000  | 68,000      |
| Growth in Annual<br>Cap (%) | Not applicable   | 5.3 (based on<br>annualised amount<br>for period from<br>3 February 2023 to<br>30 June 2023 for<br>illustration<br>purposes only) | 6.3         |

#### *Our analysis on the Annual Cap*

We note that the Annual Cap under the Framework Agreement for the period from 3 February 2023 to 30 June 2023 and years ending 30 June 2024 and 2025 is RMB33.0 million, RMB64.0 million and RMB68.0 million, respectively, representing an increase of approximately 5.3% and 6.3% compared to the corresponding proposed annual cap for the respective prior years/periods.

In assessing the reasonableness of the Annual Cap under the Framework Agreement, we considered the following factors, including but not limited to,

- (i) the Purchase of Goods is associated with the continuous development and operations of the Air Conditioners Distribution Business and that the Group shall continue its expansion of its Air Conditioners Distribution Business into other parts of Southern PRC, in particular, the Guangdong Province, having already established its presence in Meizhou city, the PRC, and continue to explore and expand into the market in Shenzhen, the PRC, during the six months ending 30 June 2023. In this connection, the Group will initially focus its expansion efforts primarily on its business-to-business (B2B) sales channels, such as targeting the selected electrical appliance retailers already identified by the sales department of the Group in each of Meizhou and Shenzhen, and the Group's sales function of its Air Conditioners Distribution Business will be further strengthened in this regard with a view to handle the potential increase in sales order;



## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) we had obtained and reviewed a schedule prepared by the Management setting out the actual transaction amount of Air Conditioners Distribution Business for the six months ended 31 December 2022 and the estimated transaction amounts for the period from 3 February 2023 to 30 June 2023 and years ending 30 June 2024 and 2025, respectively (the “**Schedule**”). The Schedule sets out, among others, information on the expected sales of the Air Conditioners Distribution Business, by taking into account (i) the estimated quantity of major types of air conditioners to be sold during the relevant period/years and having considered the seasonality effect based on historical sales pattern with input from the sales team of the Air Conditioners Distribution Business, such as higher revenue during the period from February to July; (ii) an annual growth in quantity between approximately 1.1% to 10.9%; and (iii) estimated purchase price by major types of air conditioners with reference to quotation and/or recent average purchase price of the respective type of air conditioners from the subject manufacturer;
- (iii) the Management advised that the ease of COVID-19 prevention and containment measures in the PRC since around the end of December 2022 and the potential increase in consumers’ demand for replacement of their existing air conditioners shall bring positive impact on the performance of the Air Conditioners Distribution Business; and
- (iv) furthermore, we noted that the transactions contemplated under the Framework Agreement shall be conducted on terms in accordance with the Group’s relevant pricing policies, which will further broaden the revenue base of the Group.

Based on the above factors, we considered the basis for determining the Annual Cap under the Framework Agreement to be fair and reasonable so far as the Company and the Shareholders are concerned.

### VII. RECOMMENDATION

Having considered the factors as set out in this letter above, in particular,

- (i) the reasons for and benefits of the Framework Agreement;
- (ii) the Purchase of Goods is a furtherance and continuance of the Air Conditioners Distribution Business;
- (iii) the transactions under the Framework Agreement shall be conducted on terms not less favourable to the Group than those terms transacted with/available from the independent third parties; and
- (iv) the value of, and the basis for determining, the Annual Cap are reasonable as discussed in this letter above,

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

we are of the view that the transactions contemplated under the Framework Agreement with JAC are in the ordinary and usual course of business of the Group and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, and the terms of which, including the Annual Cap, are fair and reasonable so far as the Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the Framework Agreement (including the Annual Cap) at the SGM.

Yours faithfully  
For and on behalf of  
**Red Sun Capital Limited**  
**Lewis Lai**  
*Managing Director*

*Mr. Lewis Lai is a licensed person registered with the SFC and a responsible officer of Red Sun Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in the corporate finance industry.*

## 1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 30 JUNE 2022

The audited consolidated financial statements of the Group for the year ended 30 June 2020 have been set out on pages 54 to 126 in the annual report 2019/20 of the Company which was published on 23 September 2020 on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.asian-citrus.com>). Please also see below the link to the annual report 2019/20 of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0923/2020092300374.pdf>

The audited consolidated financial statements of the Group for the year ended 30 June 2021 have been set out on pages 62 to 122 in the annual report 2020/21 of the Company which was published on 28 October 2021 on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.asian-citrus.com>). Please also see below the link to the annual report 2020/21 of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1028/2021102800540.pdf>

The audited consolidated financial statements of the Group for the year ended 30 June 2022 have been set out on pages 63 to 130 in the annual report 2021/22 of the Company which was published on 26 October 2022 on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<http://www.asian-citrus.com>). Please also see below the link to the annual report 2021/22 of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1026/2022102600209.pdf>

## 2. INDEBTEDNESS STATEMENT

As at the close of business on 31 January 2023, being the latest practicable date for the purpose of ascertaining information contained in this statement of indebtedness prior to the printing of this circular, the details of the Group's indebtedness are as follows:

### **Borrowings**

As at 31 January 2023, the Group had borrowings of RMB5 million which are secured by the Group's prepayment.

### **Lease liabilities**

As at 31 January 2023, the Group had lease liabilities of approximately RMB62,000 which are unguaranteed and unsecured.

**Amounts due to a director/JAC**

As at 31 January 2023, the Group had amounts due to a director/JAC of approximately RMB132,000 and RMB9.5 million which are unguaranteed and unsecured.

Save as disclosed above, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, outstanding convertible debt securities or other similar indebtedness, any guarantees or other material contingent liabilities at the close of business on 31 January 2023.

**3. WORKING CAPITAL OF THE GROUP**

The Directors, after due and careful enquiry, are of the opinion that, taking into account the financial resources presently available to the Group including the internally generated funds, the currently available banking and other credit facilities and the effects of the Purchase of Goods, the Group will have sufficient working capital for its present requirements for at least 12 months from the date of this circular.

The Company has obtained the relevant confirmations from the Company's auditor as required under Rule 14.66(12) of the Listing Rules.

**4. MATERIAL ADVERSE CHANGE**

As disclosed in the Profit Warning Announcement and the Interim Results Announcement, the Group recorded a loss of approximately RMB18.6 million for the six months ended 31 December 2022 as compared to the net profit of approximately RMB1.4 million for the six months ended 31 December 2021. The decrease in the net profit was mainly attributable to the decrease in revenue from the fruit plantation business and fruit distribution business and the recognition of an impairment loss on certain property, plant and equipment. The decrease in the revenue was mainly caused by the lack of proper maintenance of the citrus trees and the limitation in logistics among different regions in the PRC due to the lockdown measures imposed by the local government in response to the outbreak of COVID-19 in the PRC in the second half of 2022. The recognition of impairment loss was mainly attributable to the decrease in the recoverable amount of the property, plant and equipment relating to the fruit plantation business caused by the adverse impact of COVID-19 brought to the cash flow projections on which the value in use calculation in respect of the property, plant and equipment was based.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2022, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group continues to closely monitor the reform of its plantation business through the deploying procedures to improve its plantation technology and processes at the plantation, such as cost control and productivity management, and through diversified fruit projects by providing professional/technical advisory services to local farmers in exchange for certain management income. Looking forward with the relaxation of COVID-19 limitations, lockdown and quarantine measures in the PRC in 2023, the Company considers that the farmers will be able to return to the farmlands to maintain the citrus trees properly, and the performance of the plantation business will gradually recover to before the pandemic.

The Group also continues to receive recurring orders from various customers and cooperate with its suppliers seamlessly for its fruit distribution business. With the removal of transportation restriction coupled with the uplift of other COVID-19 limitations in 2023, the Group is optimistic that the logistics services and the operation of its distribution center will gradually return to normal. As the day-to-day life of the general public in the PRC resumes normal, the consumer sentiment is expected to recover in 2023. In addition, the demand for high-quality food including premium fruits is anticipated to increase to pre-pandemic level, which will be favorable to the fruit distribution business of the Group.

Furthermore, the Group will continue to explore opportunities to source new kinds of fruits from various overseas countries for importing to its customers in the PRC to expand its product portfolio and increase the profit margin. With the relaxation of COVID-19 measures in the PRC and in order to reduce the risk of relying on imports, the Group will also continue to actively approach various domestic suppliers for sourcing quality fruits to ensure a stable supply for the premium quality fruits portfolio.

In implanting the strategy to expand the market share in the sales and distribution of agricultural products across northern PRC for further development of the fruit distribution business, on 16 February 2023, the Group entered into an equity transfer agreement in relation to the acquisition of the entire equity interest in Shaanxi Pinshang Agricultural Products Trading Co., Ltd.\* (陝西品尚農產品貿易有限公司), which is mainly engaged in distribution and sales of agricultural products with its comprehensive sales network in Shaanxi Province. Such acquisition is expected to enable the Group to expand existing sales channels, increase the sales volume of agricultural products and deepen market penetration across northern PRC.

In respect of the air conditioners distribution business, the demand for air conditioners is expected to increase with the climate change. Accordingly, on 3 February 2023, the Group has entered into a framework agreement with its supplier to secure a stable supply of air conditioners to meet customer demand. As such, the Group is optimistic that its air conditioners distribution business will grow steadily in 2023.

With the progress and efforts that the Group has made in the diversification of its business portfolio and the expansion of the market presence in the market across the PRC, the Group will continue to strengthen the core competence and improve the overall performance upon the relaxation of COVID-19 limitations and measures in the PRC and the gradual recovery of global economy in the future.

\* For identification purposes only

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and Chief Executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests or short positions of the Directors and the Chief Executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (the "SFO")), which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), are set out below:

| Name of Director/<br>Chief Executive | Capacity                                 | Number of<br>Shares held | Approximate<br>percentage<br>of the issued<br>share capital<br>of the<br>Company |
|--------------------------------------|--|--------------------------|--|
| Mr. Ng Ong Nee                       | Interests in a controlled<br>corporation | 179,252,394<br>(Note)    | 7.17%  |

*Note:* The corporate interests of 179,252,394 Shares are owned by Changjiang Tying Management Company Limited, a company of which 50% of the issued share capital is owned by Mr. Ng Ong Nee, the Chairman, an Executive Director and the Chief Executive Officer of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the Chief Executives of the Company and their respective associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Shareholders' and other persons' interests and short positions in Shares and underlying Shares**

As at the Latest Practicable Date, so far as is known to the Directors, the persons or companies (other than the Directors and the Chief Executives of the Company) who/which had an interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, to be entered in the register required to be kept by the Company pursuant to section 336 of the SFO, are set out below:

| <b>Name of Director/<br/>Chief Executive</b> | <b>Capacity</b>  | <b>Number of<br/>Shares held</b> | <b>Approximate<br/>percentage<br/>of the issued<br/>share capital<br/>of the<br/>Company</b> |
|--|------------------|----------------------------------|--|
| Mr. Kung Chak Ming                           | Beneficial owner | 419,298,000                      | 16.77%   |
| Mr. Xu Guodian                               | Beneficial owner | 276,243,000                      | 11.05%   |

Save as disclosed above, the Directors are not aware of any other persons or companies (other than the Directors and the Chief Executive of the Company) who/which had interests or short positions in the Shares or underlying Shares of the Company, which would fall to be disclosed under the provision of Divisions 2 and 3 of Part XV of the SFO or were required to be entered in the register required to be kept by the Company under section 336 of the SFO.

**3. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors were interested in any business which competed or was likely to compete directly or indirectly with the businesses of the Group.

**4. DIRECTORS' INTERESTS IN CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had been, since 30 June 2022, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which was significant in relation to the business of the Group.

## 5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any member of the Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against the Company or any member of the Group.

## 6. QUALIFICATIONS AND CONSENTS OF EXPERTS

The following is the qualification of the expert who has given opinion or advice, which are contained or referred to in this circular:

| Name                    | Qualification  |
|-------------------------|--|
| Red Sun Capital Limited | A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |

Red Sun Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, Red Sun Capital Limited did not have any shareholding, directly or indirectly, in the Company or any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of the Group, nor did it have any interest, direct or indirect, in any assets which had, since 30 June 2022 (being the date to which the latest published audited consolidated financial statements of the Group were made up), been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contract entered into in the ordinary course of business) have been entered into by the members of the Group within two years immediately preceding the issue of this circular and are or may be material:

- (a) the equity transfer agreement dated 29 June 2021 in relation to the acquisition of the entire interest of Shenzhen Jinlong Construction Engineering Co., Ltd.\* (深圳市金龍建設工程有限公司) (as target company), a company established in the PRC with limited liability, entered into between Shenzhen Jinlong Air Conditioning Electric

\* For identification purposes only



Co., Ltd. (as vendor), Shenzhen First Class Fruits Company Limited (深圳市冠華水果商城有限公司) (as purchaser) which is an indirect wholly-owned subsidiary of the Company, and the target company at a consideration of RMB2,500,000;

- (b) the loan agreement dated 6 April 2022 in relation to the loan in the principal amount of RMB7,000,000 for a term of one year commencing from 7 April 2022 entered into between Guangxi Hepu Guanhua Agriculture Limited\* (廣西合浦冠華農業有限公司) (as lender), an indirect wholly-owned subsidiary of the Company, and Shenzhen Hengyu Qiyang Education Co., Ltd.\* (深圳市恒裕啟揚教育有限公司) (as borrower), a company indirectly wholly-owned by Mr. Kung; and
- (c) the equity transfer agreement dated 16 February 2023 in relation to the acquisition of the entire equity interest of Shaanxi Pinshang Agricultural Products Trading Co., Ltd.\* (陝西品尚農產品貿易有限公司) (as target company), a company established in the PRC with limited liability, entered into between Chen Xiaochun and Wu Guoqian (as vendors), Shenzhen First Class Fruits Company Limited (深圳市冠華水果商城有限公司) (as purchaser), which is an indirect wholly-owned subsidiary of the Company, and the target company at a consideration of RMB4,500,000.

Save as disclosed above, no material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any other its subsidiaries within two years immediately preceding the date of this circular and up to the Latest Practicable Date.

## 8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.asian-citrus.com>) from the date of this circular up to and including the date which is 14 days from the date of this circular:

- (a) the Framework Agreement;
- (b) the letter from Red Sun Capital Limited, the text of which is set out on pages 16 to 32 of this circular;
- (c) the copies of contracts referred to in the section headed “Material Contracts” in this appendix;
- (d) the written consent of each of the experts as referred to in the section headed “6. Qualifications and consents of experts” in this appendix; and
- (e) this circular.

\* For identification purposes only

**9. MISCELLANEOUS**

The company secretary of the Company is Miss Ng Ling Ling. Miss Ng Ling Ling is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton, HM 11, Bermuda.

The principal place of business of the Company is at 1/F., Ching Cheong Industrial Building, 1-7 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong.

The share registrar of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF SGM



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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 73)**

**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “SGM”) of Asian Citrus Holdings Limited (the “Company”) will be held at United Conference Centre, Level 10, United Centre, 95 Queensway, Admiralty, Hong Kong on Tuesday, 4 April 2023 at 9:00 a.m. (Hong Kong Time), for the purpose of considering and, if thought fit, passing with or without modification the following resolutions as ordinary resolution of the Company:

**ORDINARY RESOLUTIONS**

**“THAT:**

- (i) the framework agreement dated 3 February 2023 (as defined and described in the circular to the shareholders of the Company dated 15 March 2023 (the “Circular”)) (the “**Framework Agreement**”), a copy of which is tabled at the SGM marked “A” and signed by the Chairman of the meeting for identification purpose, the terms and transactions contemplated thereunder together with the annual cap contemplated thereunder (the “**Annual Cap**”), be and are hereby approved, confirmed and ratified;
- (ii) any one director of the Company (the “**Director**”) be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and to do all such acts or things as that director may in his/her absolute discretion deem appropriate to give effect to the Framework Agreement, the transactions contemplated thereunder and the Annual Cap.”

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

Hong Kong, 15 March 2023

\* *For identification purposes only*

## NOTICE OF SGM

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Principal place of business in Hong Kong:*

1/F., Ching Cheong Industrial Building  
1-7 Kwai Cheong Road, Kwai Chung  
New Territories, Hong Kong

As at the date of this notice, the board of directors of the Company comprises the following Directors:

*Executive Directors:*

Mr. Ng Ong Nee (*Chairman and Chief Executive Officer*)  
Mr. Ng Hoi Yue (*Deputy Chief Executive Officer*)

*Non-executive Director:*

Mr. James Francis Bittl

*Independent non-executive Directors:*

Mr. Liu Ruiqiang  
Mr. Lai Zheng  
Mr. Wang Tianshi  
Ms. Liu Jie

*Notes:*

1. A form of proxy (as applicable) is enclosed.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his/her attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person duly authorised to sign the same.
3. Any member of the Company (a “**Member**” or the “**Members**”) entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A Member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf at a general meeting of the Company. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he/she or they represent(s) as such Member could exercise.
4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the Company’s branch share registrars, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong (for Members whose names appear in the Company’s branch register of members in Hong Kong and who hold Shares in certificated form) not less than 48 hours before the time appointed for holding the meeting (or any adjournment thereof) at which the person named in the instrument proposes to vote, or Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom by 5:00 p.m. (UK time) on Thursday, 30 March 2023 (for Members whose names appear in the Company’s register of members in Jersey and who hold Shares in certificated form).

## NOTICE OF SGM

5. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting in person at the meeting convened and in such event the form of proxy shall be deemed to be revoked.
6. In the case of joint holders of any Share, if more than one of such joint holders be present at any meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company (the “**Register**”) in respect of the joint holding.
7. Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company. The person so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member of the Company and such corporation shall be deemed to be present in person at any such meeting if a person so authorised is present thereat.
8. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 of the United Kingdom, only those Shareholders registered in the Register as of 30 March 2023 are entitled to attend or vote at the SGM of the Company in respect to the number of Shares registered in their names at that time. For Members whose names appear in the Company’s register of members in Jersey and who hold Shares in certificated form, in order to qualify for attending the SGM, all transfer documents, accompanied by the relevant share certificates, have to be lodged for registration with the Company’s branch share registrar in the UK, Computershare Investor Services (Jersey) Limited, c/o The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom by 5:00 p.m. (UK time) on Thursday, 30 March 2023.

For Members whose names appear in the Company’s register of members in Hong Kong and who hold Shares in certificated form, the register of members of the Company in Hong Kong will be closed from Thursday, 30 March 2023 to Tuesday, 4 April 2023, both days inclusive, during the period of which no transfer of shares will be effected. In order to qualify for attending the SGM, all transfer documents, accompanied by the relevant share certificates, have to be lodged for registration with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong no later than 4:30 p.m. (Hong Kong time) on Wednesday, 29 March 2023.

Changes to entries on the Register after that time will be disregarded when determining the rights of any person to attend or vote at the SGM.

9. If a tropical cyclone warning signal no. 8 or above is expected to be hoisted or a black rainstorm warning signal is expected to be in force at any time between 8:00 a.m. and 5:00 p.m. (Hong Kong time) on the date of the meeting, the meeting will be postponed and Members will be informed of the date, time and venue of the postponed meeting by a supplementary notice posted on the respective websites of the Company and the Stock Exchange.

If a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is lowered or cancelled at or before 8:00 a.m. (Hong Kong time) on the date of the meeting and where conditions permit, the meeting will be held as scheduled.

The meeting will be held as scheduled when an amber or red rainstorm warning signal is in force.

After considering their own situations, Shareholder(s) should decide on their own whether or not they would attend the meeting under any bad weather condition and if they do so, they are advised to exercise care and caution.