China Agrotech Holdings Limited

CHINA AGROTECH HOLDINGS LIMITED

浩倫農業科技集團有限公司*

(In Liquidation)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1073)

Annual Report 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Ms. Chen Xiao Fang
Mr. Zhang Liang
Mr. Xu Jiangtao

Independent Non-Executive Directors:
Ms. Zhao Jianhua

COMPANY SECRETARY

NIL

JOINT AND SEVERAL LIQUIDATORS

Mr. Stephen Liu Yiu Keung
Mr. David Yen Ching Wai

MEMBERS OF THE AUDIT COMMITTEE

NIL

INDEPENDENT AUDITOR

ZHONGHUI ANDA CPA Limited

PRINCIPAL BANKERS

Australia and New Zealand Banking Group Limited
Bank of China (Hong Kong) Limited

CORPORATE INFORMATION

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
(Address of Joint and Several Liquidators)

22/F CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

STOCK CODE

1073 (listed on the Main Board of the Stock Exchange of Hong Kong Limited)

WEBSITE

www.irasia.com/listco/hk/chinaagrotech/

BUSINESS AND FINANCIAL REVIEW

APPOINTMENT OF THE JOINT AND SEVERAL LIQUIDATORS AND WINDING-UP OF THE COMPANY

The Company received a winding up petition dated 11 November 2014 filed by Concept Capital Management Limited ("CCM") at the High Court against the Company. On 9 February 2015, the Company was ordered to be wound up and the Official Receiver was appointed as the provisional liquidator of the Company. On 17 August 2015, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai of Ernst & Young Transactions Limited were appointed as joint and several Liquidators pursuant to an Order of the High Court. Pursuant to an order of the Grand Court granted on 19 September 2017, the Liquidators were recognised by the Grand Court to act for and on behalf of the Company for the petition of the Capital Reduction and the Creditors' Scheme in the Grand Court.

RESTRUCTURING OF THE COMPANY

Suspension of trading in shares of the Company
At the request of the Company, trading in the shares of the Company on the Main Board of the Stock Exchange of Hong Kong Limited has been suspended since 1:00 p.m. on 18 September 2014.

Delisting stage
On 17 February 2015, the Stock Exchange placed the Company in the first delisting stage under Practice Note 17 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules") as the Stock Exchange which considered the Company unable to maintain a sufficient level of operations or assets required under Rule 13.24 to support a continued listing.

On 19 August 2015, the Company was placed in the second delisting stage by the Stock Exchange. As no resumption proposal was submitted before the expiry date of the first and second delisting stage, the Stock Exchange placed the Company into the third delisting stage commencing on 9 March 2016 and expiring on 8 September 2016.

The Company is required to submit a viable resumption proposal to the Stock Exchange to address the following issues:

(i) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

(ii) publish all outstanding financial results and address any audit qualifications; and

(iii) have the winding up petition against the Company withdrawn or dismissed and the provisional liquidators discharged.

Resumption Proposal of the Company
References are made to the circular published on 26 April 2019 and announcements of the Company dated 17 May 2017 and 28 December 2018 respectively.

On 24 August 2016, the Company submitted the Resumption Proposal to the Stock Exchange and entered into the Acquisition Agreement regarding the Acquisition in support of the submission of the Resumption Proposal.

On 15 September 2016, the Stock Exchange has agreed to grant an extension of time to 31 March 2017 for the Company to submit the new listing application relating to the Resumption Proposal (but not any other proposal) under the Listing Rules. As additional time is required for the submission of the new listing application, the Company has made an application to the Stock Exchange and the Stock Exchange has granted a further extension of time for the submission of the new listing application to 30 April 2017. On 28 April 2017, the Company filed the New Listing Application with the Stock Exchange and submitted the second and the third New Listing Applications to Stock Exchange on 6 November 2017 and 11 October 2018 respectively. Since six months or more have elapsed, the New Listing Application and the third new listing application have subsequently lapsed. The Company resubmitted the fourth New Listing Application to the Stock Exchange on 11 April 2019 to reactivate the listing application pursuant to Rule 9.03(1) of the Listing Rules.

The Proposed Restructuring includes, among others, the (i) Capital Reorganisation; (ii) the Subscriptions (if the Ms. Chong's Subscription lapses, the YM Subscription and the New Placing); (iii) the Creditors' Scheme; (iv) the Acquisition; and (v) the Public Offer. The Capital Reorganisation becoming effective is one of the conditions precedent under the Acquisition, the Subscriptions and the Public Offer. Further, the Acquisition, the Subscriptions and the Public Offer are inter-conditional under the Proposed Restructuring and are also subject to the Creditors' Scheme being approved by the Creditors and having obtained the final sanctions from the relevant courts. Further, the obtaining of the consent from the Executive in relation to the Special Deal is one of the conditions precedent to the Creditors' Scheme.

Details of the proposed restructuring of the Group are set out in Note 2 to the consolidated financial statements.

FINANCIAL REVIEW

Overall Results

Since the appointment of the Liquidators, the Official Receiver and Liquidators were unable to contact, or obtain relevant information from, any of the legal representatives, directors and management of the subsidiaries of the Company. Due to absence of information and the non-cooperation of the directors and management of the subsidiaries of the Company, both the Official Receiver and the Liquidators were unable to obtain and access to the books and records of the subsidiaries of the Company despite the fact that they had taken all reasonable steps and had used their best endeavors to resolve the matter.

As a result, the Liquidators are of the view that the Company no longer has the power to govern the financial and operating activities of those subsidiaries.

Deconsolidation of Companies Lost Control

The last financial results published by the Company were the interim report for the six-month ended 31 December 2013. Since the books and records of most of the Company's subsidiaries are not available to the Liquidators, the Liquidators cannot ascertain the financial position of those subsidiaries after 31 December 2013. Together with the fact that the Company has lost control over those subsidiaries, the Liquidators is of the view that those subsidiaries should be deconsolidated from the Group with effect from 1 January 2014.

Revenue and Financial Resources

Based on the aforementioned basis and the books and records available to the Liquidators, for the year ended 30 June 2018, the Group had no turnover (2017: nil) and the Group's net loss was HK$4.9 million, representing a decrease in loss of about HK$12.5 million as compared to the Group's net loss of approximately HK17.4 million for the year ended 30 June 2017.

Due to the deconsolidation of the subsidiaries of the Company since 1 January 2014, the Liquidators consider that there were no reportable segment for the year ended 30 June 2018.

As at 30 June 2018, the Group had cash and cash equivalents of approximately HK$1.5 million (2017: HK$4.5 million). As at 30 June 2018, the Group's current ratio (current assets to current liabilities) was approximately 0.2% (2017: 0.5%).

Indebtedness and Banking Facilities

As at 30 June 2018, the Group had bank and other borrowings of approximately HK$69.6 million (2017: HK$67.4 million).

As at 30 June 2018, the Group has eight (2017: eight) unlisted straight bonds to eight (2017: eight) independent investors in an aggregate principal amount of HK$45,000,000 (2017: HK$45,000,000) (the "Bonds"). The Bonds are unsecured, arranged at fixed interest rates of 6% to 7% per annum and immediately due because of the liquidation of the Company.

As at 30 June 2018, the Group's gearing ratio could not be determined because there was a deficit of equity attributable to owners of the Company (2017: N/A). The gearing ratio was calculated based on the division of the total amount of bank borrowings and other loans and convertible bonds (liability components) by total equity attributable to owners of the Company.

BUSINESS AND FINANCIAL REVIEW

Assets and Liabilities

As at 30 June 2018, the Group had total assets of approximately HK$1.7 million (2017: HK$4.5 million) and total liabilities of HK$948.5 million (2017: HK$946.5 million). The net liabilities of the Group as at 30 June 2018 were approximately HK$946.8 million (2017: net liabilities of approximately HK$941.9 million).

Capital Structure

As at 30 June 2018, there were 1,001,765,216 ordinary shares in issue.

There was no movement in the issued share capital of the Company during the year ended 30 June 2018.

Commitments

As at 30 June 2018, the Group had no significant outstanding contracted capital commitments.

Charges on Group Assets

There is insufficient information available to the Company to ascertain whether there were any charged assets at a Group level as at 30 June 2018.

Significant Investments and Acquisition

On 24 August 2016, the Vendor, the Company and the Liquidators entered into the Acquisition Agreement in relation to the Acquisition. Pursuant to the Acquisition Agreement, the Company will acquire the entire issued share capital of Yu Ming, free from all encumbrances, at the Acquisition Consideration of HK$400.0 million. On 7 February 2017, the Vendor, the Purchaser and the Liquidators entered into the Supplemental Acquisition Agreement to amend certain terms and conditions of the Acquisition Agreement, including (i) the extension of the long stop date to the Acquisition Agreement; (ii) the amendments to certain conditions precedent to the completion of the Acquisition Agreement; (iii) the provision of the Cash Advance from the Vendor.

Reserves

There is insufficient information for the Company to ascertain whether there were any reserves available for distribution as at 30 June 2018. Details of movements in the reserves of the Company during the year are set out in note 17 to the consolidated financial statements.

Contingent Liabilities

There is insufficient information available to the Company to ascertain whether the Group and the Company had any significant contingent liabilities as at 30 June 2018.

As at the date of these financial statements and based on the proofs of debts, the Liquidators received a total of 45 proofs of debts claiming an aggregate amount of approximately HK$1,678.0 million against the Company. Out of which, two proofs of debts related to the share registrar fees owed to Hong Kong Registrars Limited and the Company's website subscription fee due to IRASIA. In order to carry out the restructuring, the Liquidators had settled these two proofs of debts in the sum of HK$111,019.50 which are considered as necessary costs for the restructuring. After settling the outstanding fees of Hong Kong Registrars Limited and IRASIA, there remain now 43 proofs of debts claiming an aggregate amount of approximately HK$1,677.9 million. The Liquidators have been collating information about the claims, which will be used to adjudicate such claims as and when appropriate.

Remuneration policies and share option scheme

The Group had no salaries and other remunerations incurred for the year ended 30 June 2018.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. During the year ended 30 June 2018, no share option was granted (2017: nil).

BUSINESS AND FINANCIAL REVIEW

PROSPECT

References are made to the circular published on 26 April 2019 and announcements of the Company dated 17 May 2017 and 28 December 2018 respectively.

The Company has submitted the resumption proposal and a new listing application to the Stock Exchange. Upon the completion of the resumption proposal and the Scheme of Arrangement taking effect, all the claims against the Company by the Creditors will be discharged and compromised in full. Most of the subsidiaries of the Company will be identified as Excluded Companies and will be transferred to a special vehicle held or controlled by the Scheme administrators and will cease to be subsidiaries of the Company.

The resumption proposal includes the Company's proposed acquisition of the entire equity interest of Yu Ming Investment Management Limited in order to maintain a sufficient level of operation or asset to be able to maintain its listing status.

It is expected that upon completion of the proposed restructuring, the Enlarged Group will have a sufficient level of operation to maintain its listing status while the implementation of the Creditors' Scheme will substantially improve the financial and liquidity position of the Enlarged Group.

The completion of the proposed restructuring will be subject to the certain conditions as disclosed in circular published on 26 April 2019, including approval of the regulators, the High Court of Hong Kong, the Grand Court of the Cayman Island, the shareholders and the creditors.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Ms. Chen Xiao Fang aged 55, graduated from Suzhou University of China with a bachelor's degree in silk textile engineering design in 1984. Ms. Chen also completed the on-the-job postgraduate program of business administration at University of International Business and Economics of China and was accredited the relevant academic qualification in 2002. She is a qualified engineer and management consultant in Mainland China and has over 29 years of experience in information management, human resources management, marketing strategies and international trading.

Mr. Zhang Liang, aged 36, graduated from The State University of New York of the United States with a master's degree in business administration in 2008 and a bachelor's degree in science, major in computer science and business management in 2006. Mr. Zhang has over 6 years of experience in macro analysis of economy and commodity markets, corporate assets management and corporate finance. He joined the Group in September 2014 and is mainly responsible for negotiation and coordination with PRC banks and other creditors of the Group in respect of the Group's indebtedness.

Mr. Xu Jiangtao, aged 62, graduated from the Chinese Faculty of Fujian Normal University with a bachelor's degree in arts. Mr. Xu has over 20 years of working experience as a government officer in the Public Security Department of Fujian Province. Mr. Xu also has over 6 years of experience in chief executive roles in enterprises of the Mainland China. He joined the Group in November 2014 and is mainly responsible for assisting in the recovery of amounts due from various debtors of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Zhao Jianhua, aged 66, graduated from Xiamen University in accounting profession (tertiary level) in 1989. She obtained the professional qualification in accounting of the People's Republic of China ("PRC") in 1992. Ms. Zhao has over 30 years of experience in accounting and finance management. Ms. Zhao is currently the finance officer-in-charge of a PRC enterprise.

REPORT OF THE LIQUIDATORS

Since the appointment of the Liquidators, the Liquidators were only able to obtain incomplete books and records of the Company despite having taken all reasonable steps. Due to absence of information and the non-cooperation of the directors of the Company, the Report of the Liquidators was prepared in accordance to the best knowledge and the limited information available to the Liquidators.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiary are investment holding and general trading and export as at the date of the appointment of the Liquidator.

CORPORATE GOVERNANCE PRACTICES

The Liquidators were appointed on 17 August 2015 pursuant to an Order of the High Court of Hong Kong. After the appointment of the Liquidators, certain books and records of the Company and its subsidiaries cannot be obtained and accessed.

During the year ended 30 June 2018, based on the limited information available, the Company appeared to comply with the principles (the "Principles") and code provisions (the "Code Provisions") as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") stipulated by the Stock Exchange in Appendix 14 of the Listing Rules, except for the following:

- The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of the executive directors, during the Reporting Period. The Liquidators unable to verify whether any meeting held during the Reporting Period.

- An issuer must include at least three independent non-executive directors, with at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors must represent at least one-third of the Board pursuant to the Listing Rules 3.10(1) and (2), and 3.10A. Based on the information available to the Liquidators, following the resignation of Mr. Li Yik Sang on 18 June 2014, Mr. Cheung Ka Yue on 14 November 2014, Mr. Zhang Shaosheng on 19 November 2014 and Mr. Wong Kin Tak on 9 February 2015, there is only one independent non-executive director on the Board as at 30 June 2018 and the date of this Report.

- The audit committee should comprise non-executive directors only pursuant to the Listing Rules 3.21. Following to the winding up of the Company, the company has only one Independent Non-Executive Director and, thus, the audit committee has not been maintained as at 30 June 2018 and the date of this Report.

- An issuer must present the Environment, Social and Governance Report (the "ESG Report") in its annual report pursuant to the Listing Rules 13.91. However, the Company is unable to present the required ESG Report in its annual report due to the limited information available to the Liquidators in relation to the Reporting Period.

AUDIT COMMITTEE REVIEW

Following to the winding up of the Company, the company has only one Independent Non-Executive Director and, thus, the audit committee has not been maintained as required by the Listing Rules and has not reviewed the annual results.

The figures contained in the financial information set out in page 16 to 40 of this annual report have been audited by the Group's auditor, ZHONGHUI ANDA CPA Limited.

MAJOR CUSTOMERS AND SUPPLIERS

With the effect of the deconsolidation of the subsidiaries of the Company, the Group has no turnover, and thus no reportable major customers and suppliers for the year ended 30 June 2018.

REPORT OF THE LIQUIDATORS

DIVIDENDS

No dividend is declared for the year ended 30 June 2018 (2017: nil).

PROPERTY, PLANT AND EQUIPMENT

With the effect of the deconsolidation of the subsidiaries that Company has lost control, the Group has no carry amount of the property, plant and equipment as at 30 June 2018.

BORROWINGS

Particulars of borrowings of the Group as at 30 June 2018 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 16 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 17 to the consolidated financial statements. Due to the limited information available to the Liquidators, there is insufficient information to ascertain whether there were any reserves available for distribution as at 30 June 2018.

DIRECTORS

The Directors during the reporting period and as at the date of this report were:

Executive Directors
Ms. Chen Xiao Fang
Mr. Zhang Liang
Mr. Xu Jiangtao

Independence Non-executive Director
Ms. Zhao Jianhua

Biographical details of Directors of the Company are set out on page 8.

DIRECTORS' SERVICE CONTRACTS

As at the date of this report, there are three directors, namely Ms. Chen Xiao Fang, Mr. Zhang Liang and Mr. Xu Jiangtao. To the best knowledge of the Liquidators, none of the Directors or the Proposed Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which:

(a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the date of this report;

(b) were continuous contracts with a notice period of 12 months or more;

(c) were fixed term contracts with more than 12 months to run irrespective of the notice period; or

(d) were not determinable within 12 months without payment of compensation (other than statutory compensation).

DIRECTORS' REMUNERATION

There was no remuneration paid to the director of the Company for the year ended 30 June 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 30 June 2018, so far as is known to the Liquidators, none of the Directors, nor the chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which is required to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under section 352 of the SFO, or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2018, so far as is known to the Liquidators, the following persons (not being Directors, Proposed Directors and chief executive of the Company) had an interest (or long positions) or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Capacity and nature of interest	Number of shares	Approximate percentage of issued share capital
Perfect Gate Holdings Limited (Note)	Beneficial Owner	230,000,000	22.96%

Note: Based on information as available to the Liquidators and the latest disclosure of interests filed by Perfect Gate Holdings Limited ("Perfect Gate"), as at 7 December 2017, Perfect Gate is a company incorporated in the BVI, which is wholly owned by Gokeen Invest Limited, a company incorporated in the BVI and Gokeen Invest Limited is owned as to 25% by Xiong Ling, 25% by Chen Rong, 25% by Ng Wai Huen and 25% by Lee On Wai. On 30 August 2017, the Liquidators received a summons from Perfect Gate applying for an order to validate the proposed sale and purchase of the 230,000,000 Shares held by it to (i) Wisdom Link Group Limited as to 46,000,000 Shares; (ii) Treasure Forum Limited as to 46,000,000 Shares; (iii) Perfect Origin Investments Limited as to 46,000,000 Shares; (iv) Classic Sky Global Limited as to 46,000,000 Shares; and (v) True Masters Limited as to 46,000,000 Shares. Pursuant to information provided by Perfect Gate, each of Wisdom Link Group Limited, Treasure Forum Limited, Perfect Origin Investments Limited, Classic Sky Global Limited and True Masters Limited is a company incorporated in the BVI and is wholly-owned by Yu Sau Lai. Such proposed sale and purchase of Shares had been validated by the court on 2 March 2018. Subject to the completion of the proposed sale and purchase, the relevant voting rights shall be exercisable by Wisdom Link Group Limited, Treasure Forum Limited, Perfect Origin Investments Limited, Classic Sky Global Limited and True Masters Limited (collectively, the "Five Companies") as the registered Shareholders. The Five Companies will become Public Shareholders upon completion of the Capital Reorganisation, the Subscriptions (if the Ms. Chong's Subscription lapses, the YM Subscription and the New Placing) and the Public Offer. As at 22 March 2019, Perfect Gate was still the holder of the 230,000,000 Shares. As at the 30 June 2018, the Liquidators had not received any notice on the completion of the said proposed sale and purchase nor aware of any circumstances that may affect the accuracy of the above statements. The Company will issue announcement to notify the Shareholders as soon as practicable upon receiving notice of the proposed sale and purchase of the Shares held by Perfect Gate having completed or if there is any material changes to the shareholdings of the Company.

Save as disclosed above, the Liquidators are not aware, as at 30 June 2018, of any person (who are not Directors and chief executive of the Company) who had an interest (or long position) or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

The information above is based on the public information and the available books and records of the Company. No representation is made by the Company and the Liquidators as to the accuracy and completeness of the information.

REPORT OF THE LIQUIDATORS

SHARE OPTION SCHEME

During the year ended 30 June 2013, a new share option scheme ("New Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2013. During the year ended 30 June 2018 and 2017, no share option was granted to the relevant participants under the New Scheme.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

To the best knowledge of the Liquidators, neither the Company nor of its subsidiary has purchased, sold or redeemed any of the Company's shares during the year ended 30 June 2018.

RELATED PARTY TRANSACTIONS

To the best knowledge of the Liquidators, no related party transaction has been made for the year ended 30 June 2018.

PRE-EMPTIVE RIGHTS

Based on the information available to the Company and within the knowledge of the Liquidators, the Company has no pre-emptive rights exist.

PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Liquidators, as at the date of this report, the Company has maintained sufficient public float.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are set out in Note 23 to the consolidated financial statements.

AUDITOR

The consolidated financial statements for the year ended 30 June 2018 were audited by ZHONGHUI ANDA CPA Limited, which was appointed as the auditors of the Company with effect from 22 February 2017.

For and on behalf of
China Agrotech Holdings Limited
(In Liquidation)

Stephen Liu Yiu Keung
David Yen Ching Wai
Joint and Several Liquidators
who act without personal liabilities

11 April 2019

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF China Agrotech Holdings Limited (In Liquidation)
(Incorporated in the Cayman Islands with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Agrotech Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 16 to 40, which comprise the consolidated statement of financial position as at 30 June 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the consolidated financial statements of the Group and whether the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2017, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty relating to the going concern basis, details of which are set out in our 2017 auditor's report.

There were no satisfactory audit procedures to ascertain the existence, accuracy, presentation and completeness of certain opening balances and corresponding figures (as further detail explained in the following paragraphs) shown in the current year's consolidated financial statements.

2. Limited accounting books and records of the Group

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 30 June 2018 and 2017, we were unable to carry out audit procedures to satisfy ourselves as to whether the following liabilities as at 30 June 2018 and 30 June 2017, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	2018 **HK$'000**	2017 HK$'000
Liabilities as at 30 June:		
Accruals and other payables	**27,618**	27,618
Borrowings	**7,358**	7,358
Corporate bonds	**45,000**	45,000
Tax payable	**6,678**	6,678
Amounts due to deconsolidated subsidiaries	**136,097**	136,097
Convertible bonds	**701,099**	701,099
	923,850	923,850

3. Deconsolidation of the subsidiaries

As explained in note 2 to the consolidated financial statements, certain subsidiaries of the Company were deconsolidated from the Group since 1 January 2014. No sufficient evidence has been provided to satisfy ourselves as to whether the Company had lost control of those subsidiaries since 1 January 2014.

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the years ended 30 June 2018 and 2017 and the Group's financial position as at these dates.

4. Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 30 June 2018 and 2017.

5. Related party transactions and disclosures

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 30 June 2018 and 2017 and the related party balances as at 30 June 2018 and 2017 as required by Hong Kong Accounting Standard ("HKAS") 24 (revised) "Related Party Disclosures".

6. Consolidated statement of changes in equity

No sufficient evidence has been provided to satisfy ourselves as to the balances (other than the share capital of approximately HK$100,177,000 as at 30 June 2018 and 2017 respectively) of reserves as included in the consolidated statement of changes in equity for the two years ended 30 June 2018 and 2017.

7. Other disclosures in the consolidated financial statements

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the financial risk management, reserves of the Company, share option scheme, statement of financial position of the Company, and events after the reporting period as disclosed in notes 6, 17, 18, 22, and 23.

Any adjustments to the figures as described from points 1 to 7 above might have a significant consequential effect on the Group's financial performance and cash flows for the two years ended 30 June 2018 and 2017 and the financial position of the Group as at 30 June 2018 and 2017, and the related disclosures thereof in the consolidated financial statements.

8. Material uncertainty related to going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 2 to the consolidated financial statements which explains that a proposal for the resumption of trading in the Company's shares and the proposed restructuring of the Group has been submitted to The Stock Exchange of Hong Kong Limited to pursue a restructuring of the Company.

The consolidated financial statements have been prepared on a going concern basis on the assumption that the proposed restructuring of the Company will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future. The consolidated financial statements do not include any adjustments that would result from a failure to complete the restructuring. We consider that the disclosures are adequate. However, in view of the extent of the uncertainty relating to the completion of the restructuring, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Audit Engagement Director
Practising Certificate Number P06084
Hong Kong, 11 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	7	**–**	–
Administrative expenses		**(3,920)**	(17,189)
Loss from operations		**(3,920)**	(17,189)
Finance costs	8	**(967)**	(202)
Loss before tax		**(4,887)**	(17,391)
Income tax	9	**–**	–
Loss and total comprehensive loss for the year attributable to owners of the Company	10	**(4,887)**	(17,391)
Loss per share	11		
– Basic (HK$ cents per share)		**(0.49)**	(1.74)
– Diluted (HK$ cents per share)		**(0.49)**	(1.74)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
Current assets			
Prepayment		176	15
Cash and cash equivalents		1,510	4,530
		1,686	4,545
Current liabilities			
Accruals and other payables	12	35,013	35,202
Borrowings	13	24,634	22,417
Corporate bonds	13	45,000	45,000
Tax payable		6,678	6,678
Amounts due to deconsolidated subsidiaries	14	136,097	136,097
Convertible bonds	15	701,099	701,099
		948,521	946,493
Net current liabilities		(946,835)	(941,948)
Net liabilities		(946,835)	(941,948)
Capital and reserves			
Share capital	16	100,177	100,177
Share premium and reserves		(1,047,012)	(1,042,125)
TOTAL DEFICIT		(946,835)	(941,948)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	Share capital HK$'000	Share premium account HK$'000	Convertible bond equity reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total deficit HK$'000
1 July 2016	100,177	453,352	164,169	449	(1,642,704)	(924,557)
Total comprehensive loss for the year	–	–	–	–	(17,391)	(17,391)
At 30 June 2017 and 1 July 2017	100,177	453,352	164,169	449	(1,660,095)	(941,948)
Total comprehensive loss for the year	–	–	–	–	(4,887)	(4,887)
At 30 June 2018	100,177	453,352	164,169	449	(1,664,982)	(946,835)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2018

	2018 HK$'000	2017 HK$'000
Cash flows from operating activities		
Loss before tax and operating loss before working capital changes	**(4,887)**	(17,391)
Change in prepayment	**(161)**	678
Change in accruals and other payables	**(189)**	5,126
Net cash used in operating activities	**(5,237)**	(11,587)
Cash flows from financing activities		
Proceeds from borrowings	**2,217**	15,059
Net cash generated from financing activities	**2,217**	15,059
Net (decrease)/increase in cash and cash equivalents	**(3,020)**	3,472
Cash and cash equivalents at beginning of year	**4,530**	1,058
Cash and cash equivalents at end of year	**1,510**	4,530
Analysis of cash and cash equivalents		
Cash and cash equivalents	**1,510**	4,530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

1. GENERAL INFORMATION

China Agrotech Holdings Limited (In Liquidation) (the "Company") was incorporated in the Cayman Islands with limited liability on 9 September 1999. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of principal place of business of the Company is Room 2706, 27/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during the period from 1 July 2015 to 16 August 2015 and has been changed to 62/F, One Island East, 18 Westlands Road, Island East, Hong Kong. With effect from 25 February 2019, the address of principal place of business of the Company is 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong. The Company's shares (the "Shares") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the trading in shares of the Company has been suspended since 18 September 2014.

The Company is an investment holding company. The principal activities of the Company's subsidiary are set out in note 21 to the consolidated financial statements.

2. BASIS OF PREPARATION

Suspension of trading in shares of the Company

References are made to the Company's announcements dated 2 September 2014 and 18 September 2014 respectively in relation to, among other things, clarification of the press release and delay in publication of the audited consolidated financial statements of the Company and its subsidiaries (collectively "the Group") for the year ended 30 June 2014. At the request of the Company, trading in shares of the Company has been suspended since 18 September 2014.

Appointment of the joint and several liquidators (the "Liquidators")

On 8 July 2014, the Company announced that certain of the Group's bank indebtedness in the PRC had been continually due, part of which was not yet renewed and a profit warning was issued.

The Shares were suspended from trading on the Stock Exchange with effect from 1:00 p.m. on 18 September 2014 pending release of inside information in relation to the proposed issue of convertible bonds and proposed set off of existing convertible bonds.

On 19 September 2014, at the Company's extraordinary general meeting, resolutions regarding the proposed issue of new convertible bonds and the proposed set off with certain existing convertible bonds (the "Existing Bonds") were not passed, such matter immediately raised great concerns of certain creditors and guarantors of the Group's indebtedness in the PRC regarding the solvency of the Company.

On 13 October 2014, the Company announced that it received a statutory demand dated 8 October 2014 issued by the legal representative of Concept Capital Management Limited ("CCM"), the sole registered holder of the Existing Bonds, claiming for settlement of the indebtedness under the Existing Bonds which was already due but yet to be settled by the Company after the resolutions for the proposed set off of the Existing Bonds were voted down on 19 September 2014.

On 22 October 2014, the Company received notice from the Hong Kong service agent of the Company's registered office in Cayman Islands that two demand letters from Standard Chartered Bank (China) Limited were addressed to the Company and Mr. Wu Shaoning ("Mr. Wu"), the executive director of the Company, among which claimed for the immediate repayment by the Company of an aggregate outstanding principal and interest of approximately RMB63,729,000, as borrowed by three PRC subsidiaries of the Company and guaranteed by the Company.

2. BASIS OF PREPARATION (CONTINUED)

Appointment of the joint and several liquidators (the "Liquidators") (Continued)

On 28 October 2014, the Company received a demand letter dated 27 October 2014 from the legal representative of Mr. Kwok Ho ("Mr. Kwok") and Fujian Chaoda Group Co., Ltd. ("Chaoda Group"), a private company owned by Mr. Kwok, addressed to the Company and Mr. Wu which demanded the Company to repay and indemnify Mr. Kwok and Chaoda Group pursuant to counter-guarantee agreements for their fulfilment of obligations as guarantor in respect of loan agreements entered into by three PRC subsidiaries of the Company with banks in the PRC, with an outstanding aggregate amount of guarantee of approximately RMB955 million. In addition, the demand letter demanded the Company to repay Mr. Kwok for another loan of RMB96 million obtained by a PRC subsidiary of the Company from Mr. Kwok pursuant to a loan agreement, under which the Company is a guarantor.

On 12 November 2014, the Company received a winding up petition dated 11 November 2014 filed by CCM to the High Court of Hong Kong against the Company in respect of a claim of approximately RMB82,670,000.

On 21 November 2014, the Company received two litigations from The Intermediate People's Court of Changsha City of Hunan Province addressed to Mr. Wu (in his capacity as the legal representative as PRC subsidiaries of the Company) in respect of trade finance indebtedness owed to two banks in the PRC by a PRC subsidiary of the Company for an aggregate amount of approximately RMB60,000,000.

On 8 December 2014, the Company received a decision letter dated 5 December 2014 issued by Shenzhen Arbitration Commission to Mr. Wu (in his capacity as guarantor) in respect of an arbitration application regarding a trade finance indebtedness lodged by ZTE Supply Chain Co., Ltd. involving certain PRC subsidiaries of the Company. The trade finance indebtedness amounted to approximately RMB50,768,000.

On 15 December 2014, the Company received a report of findings from a legal firm of Shanxi Province which confirmed that a PRC subsidiary of the Company was involved in a litigation in respect of its bank indebtedness which amounted to approximately RMB20,000,000.

On 19 December 2014, a legal firm of Fujian Province issued a report of findings and confirmed that a PRC subsidiary of the Company was involved in three litigations in respect of aggregate indebtedness of approximately RMB44,100,000.

On 9 February 2015, the Company was ordered to be wound up and the Official Receiver was appointed as the provisional liquidator of the Company.

On 17 August 2015, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai of Ernst & Young Transactions Limited were appointed as Liquidators of the Company.

Since their appointment, the Liquidators have controlled the affairs of the Company.

2. BASIS OF PREPARATION (CONTINUED)

Listing status of the Company

On 17 February 2015, the Stock Exchange placed the Company in the first delisting stage under Practice Note 17 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules") as the Stock Exchange which considered the Company unable to maintain a sufficient level of operations or assets required under Rule 13.24 to support a continued listing.

On 19 August 2015, the Company was placed in the second delisting stage by the Stock Exchange. As no resumption proposal was submitted before the expiry date of the first and second delisting stage, the Stock Exchange placed the Company into the third delisting stage commencing on 9 March 2016 and expiring on 8 September 2016.

The Company is required to submit a viable resumption proposal to the Stock Exchange to address the following issues (the "Outstanding Issues"):

i. demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules;

ii. publish all outstanding financial results and address any audit qualifications; and

iii. withdraw or dismiss the winding up petition and discharge of the provisional liquidators.

Reference is made to the Company's announcement dated 30 December 2014, certain Company's subsidiaries in the People's Republic of China (the "PRC") have financial difficulties and in urging the repayment of amounts due from a considerable number of debtors (the "Debt Event"). Many PRC lawsuits were scheduled to be put on trial by the relevant courts and the Company was currently subject to a winding up petition which is scheduled to be heard before The High Court of Hong Kong on 14 January 2015, the consequence of which is critical as to whether the Company is able to continue as a going concern (the "Litigation Event").

Proposed restructuring of the Group

On 24 August 2016, Fine Era Limited (the "Vendor"), the Company and the Liquidators entered into the sale and purchase agreement dated 24 August 2016 as supplemented by the supplemental agreements dated 7 February 2017 (the "Sale and Purchase Agreement") in relation to resumption of the trading in shares of the Company. The details of the conditions precedent and the updates on the proposed restructuring are described in the announcements dated 17 May 2017 and 28 December 2018. The restructuring of the Group consists of:

i. Acquisition

ii. Capital reorganisation

iii. Subscription

iv. Public offer

v. Creditors Scheme

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

i. Acquisition

Pursuant to the Acquisition Agreement, the Company will acquire the entire issued share capital of Yu Ming Investment Management Limited ("Yu Ming") (the "Acquisition") free from encumbrances, at the total consideration of HK$400.0 million (the "Acquisition Consideration") payable by the Company to the Vendor pursuant to the Acquisition Agreement.

Yu Ming is a company incorporated in Hong Kong with limited liability on 4 July 1996 and a licensed corporation under the SFO authorised to carry out Type 1 (dealing in securities), Type 4 (advising in securities), Type 6 (advising in corporate finance) and Type 9 (asset management) regulated activities Upon completion, Yu Ming will become a wholly-owned subsidiary of the Company.

ii. Capital reorganisation

As at the date hereof, the authorised share capital of the Company is HK$300,000,000 divided into 3,000,000,000 Shares of HK$0.10 each, and the issued share capital of the Company is HK$100,176,521.60 divided into 1,001,765,216 Shares of HK$0.10 each. In order to facilitate the issue of Subscription and the Public offer and the preferential offering, the Company proposes to undergo the capital reorganisation.

The capital reorganisation (the "Capital Reorganisation") comprises the followings:–

a. Capital Reduction

The nominal value of each Share in issue will be reduced from HK$0.10 to HK$0.01 by cancelling HK$0.09 from the paid-up capital of each issued Share (the "Capital Reduction"). The total credit of HK$90,158,869.44 arising from the Capital Reduction will be applied to eliminate an equivalent amount of the accumulated losses of the Company.

b. Share Consolidation

Immediately upon the Capital Reduction becoming effective, every 10 issued Shares of HK$0.01 each will be consolidated into one new share. As a result, 1,001,765,216 shares of HK$0.01 each will be consolidated into 100,176,521 new shares of HK$0.10 each ("Share Consolidation").

c. Increase in Authorised Capital

Immediately upon the Share Consolidation becoming effective, the Company's authorised ordinary share capital will be increased from HK$300,000,000 divided into 3,000,000,000 Shares of HK$0.10 each to HK$1,000,000,000 divided into 10,000,000,000 new shares of HK$0.10 each.

iii. Subscription

On 28 December 2018, the Company entered into a subscription agreement with Ms. Chong ("Ms. Chong's Subscription Agreement"), pursuant to which the Company has conditionally agreed to allot and issue, and Ms. Chong, has conditionally agreed to subscribe for, 512,698,586 New Shares at the HK$0.52 per New Share pursuant to the Ms. Chong's Subscription Agreement.

The Company also entered into a subscription agreement with Mr. Warren Lee and the employees of Yu Ming ("Yu Ming Team") on 28 December 2018 ("YM Subscription Agreement") pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Warren Lee and the Yu Ming Team have conditionally agreed to subscribe for, 227,250,000 New Shares and 57,500,000 New Shares respectively at HK$0.52 per New Share pursuant to the YM Subscription Agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

2. BASIS OF PREPARATION (CONTINUED)

Proposed restructuring of the Group (Continued)

iii. Subscription (Continued)

As fall back for the lapse of Ms. Chong's Subscription Agreement, the Company entered into a conditional placing agreement on 28 December 2018 ("New Placing Agreement") with Sun Hung Kai Investment Services Limited for the placing of the 512,698,586 New Shares ("New Placing") not subscribed by Ms. Chong to not less than ten Independent Placees (which may include Ms. Chong) at the price of HK$0.52 per New Share on a best efforts basis where none of the Independent placees will become a substantial shareholder of the Company following completion of the YM Subscription, the Public Offer and the New Placing.

The Company will receive net proceeds of approximately HK$414.7 million from the Subscriptions. It is expected that the net proceeds will be utilised as to (i) approximately HK$334.7 million for the partial settlement of the Acquisition Consideration; and (ii) HK$80.0 million for the settlement to be made to the creditors of the Company ("the Creditors") who have a claim against the Company under the scheme of arrangement to be entered into between the Company and the Creditors, (which subject to the approval by the Grand Court and the High Court).

iv. Public offer

The Company proposes to raise in aggregate net proceeds of approximately HK$123,173,000 (gross proceeds of HK$125,687,000 deducted from 2% commission of approximately HK$2,514,000 paid to underwriting agent) by way of the public offer of 241,705,083 offer shares, out of which 91,440,303 offer shares are offered to the public and 150,264,780 offer shares are offered as reserved shares to the qualifying shareholders under the preferential offering, representing approximately 37.8% and 62.2% of the total number of offer shares under the public offer respectively, at the offer price of HK$0.52 per offer share, being the same unit price of the subscription share.

v. Creditors Scheme

(i) a cash payment of HK$80.0 million, being partial proceeds from the Subscriptions (or in case of the lapse of the Ms. Chong's Subscription, the YM Subscription and the New Placing), will be transferred to the scheme of arrangement to be entered into between the Company and the creditors (subject to the approval by the Grand Court and the High Court, which will be implemented in the Cayman Islands and Hong Kong) ("Creditors' Scheme") and held by a new company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held or nominated by the Scheme Administrators, for distribution to the Creditors subject to adjudication; and

(ii) the Company will transfer its claims, rights to claim, rights to any assets and the entire equity interests of all the existing subsidiaries held by the Company as at a specify last practicable date (the "Excluded Companies") to a new company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held or nominated by the Scheme Administrators, at a cash consideration of HK$1. After such transfer, dividend distributed by the Excluded Companies or recovery from the Excluded Companies, if any, will be distributed to the Creditors subject to adjudication.

The cash proceeds of HK$80.0 million from the Subscriptions (or in case of the lapse of the Ms. Chong's Subscription, the YM Subscription and the New Placing) as well as any value realised from the Excluded Companies will be applied as full and final settlement of the creditors. In addition to the cash proceeds, all costs, charges, expenses and disbursement to be properly incurred after the effective date of the Creditors' Scheme in connection with the administration and implementation of the Creditors' Scheme (including the fees and remuneration of the Scheme Administrators) will also be settled from the assets of the Creditors' Scheme, in priority to the payment of dividends to the creditors.

2. BASIS OF PREPARATION (CONTINUED)

Deconsolidation of subsidiaries

The consolidated financial statements have been prepared based on the books and records maintained by the Group. However, as a result of the resignation of an experienced finance manager and other accounting personnel and no accounting documents preserved by the Group, the Liquidators considered that the control over the following subsidiaries had been lost since 1 January 2014. The results, assets, liabilities and cash flows of these subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 January 2014.

(1) 福建浩倫農業科技集團有限公司Fujian Agrotech Holdings Co., Ltd*

(2) 福州浩倫作物科學有限公司Fuzhou Agrotech Crop Science Co., Ltd.*

(3) 福建浩倫生物工程技術有限公司Fujian Agrotech Bioengineering Co., Ltd.*

(4) 江西浩倫農業科技有限公司Jiangxi Haolun Agrotech Co., Ltd.*

(5) 湖南浩倫農業科技有限公司Hunan Haolun Agrotech Co., Ltd.*

(6) 江蘇浩倫農業科技有限公司Jiangsu Haolun Agrotech Co., Ltd.*

(7) 海南浩倫農業科技有限公司Hainan Haolun Agrotech Co., Ltd.*

(8) 山西天行若木生物工程開發有限公司Shanxi Astrowood Bioengineering Development Co., Ltd.*

(9) 濟南一農化工有限公司Jinan Yinong Chemical Co., Ltd.*

(10) 福建省三明市浩倫園藝植保有限公司Fujian Sanming Agrotech Landscaping and Plant Protection Co., Ltd.*

(11) 福建浩倫東方資源物產有限公司Fujian Agrotech Oriental Import and Export Co., Ltd.*

(12) 山東浩倫農業科技有限公司Shandong Haolun Agrotech Co., Ltd.*

* The English name is for identification purpose only

Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK$4,887,000 for the year ended 30 June 2018 and as at 30 June 2018 the Group had net current liabilities and net liabilities of the same amount of approximately HK$946,835,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The consolidated financial statements have been prepared on a going concern basis on the basis that the proposed restructuring of the Group will be successfully completed, and that, following the restructuring, the Group will continue to meet in full its financial obligations as they fall due in the foreseeable future.

Should the Group be unable to achieve a successful restructuring and to continue its business as a going concern, adjustments would have to be made to the consolidated financial statements to adjust the value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2017. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of those new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Listing Rules and by the Hong Kong Companies Ordinance.

These consolidated financial statements have been prepared under the historical cost convention. The functional currency of the Company is Hong Kong dollars ("HK$"). For the purpose of presenting the consolidated financial statements, the Group adopted HK$ as its presentation currency and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of key assumptions and estimates. It also requires management to exercise its judgments in the process of applying the accounting policies. The areas involving critical judgments and areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 5 to these consolidated financial statements.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 30 June. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

(iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in consolidated profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in consolidated profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2018

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other receivables

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in profit or loss.

Impairment losses are reversed in subsequent periods and recognised in consolidated profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Convertible bonds

(i) Convertible bonds that contain an equity component

Convertible loans which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The fair value of any derivative features embedded in the compound instruments is included in the liability component. The difference between the proceeds of issue of the convertible loans and the fair values assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as capital reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and equity components of the convertible loans based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly to equity.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible bonds (Continued)

(ii) Convertible bonds that contain a derivative component

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and derivative components. At the date of issue, the fair values of the derivative components are determined using an option pricing model. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative components are measured at fair value with gains and losses recognised in profit or loss.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

Other payables

Other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

Employee benefits

(a) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(b) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (“MPF Scheme”) in Hong Kong under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to consolidated profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Employee benefits (Continued)

(b) Pension obligations (Continued)

The Group also participates in a defined contribution retirement scheme organised by the government in the PRC. The Group is required to contribute a specific percentage of the payroll of its employees to the retirement scheme. The contributions are charged to consolidated profit or loss as they become payable in accordance with the rules of the retirement scheme. No forfeited contributions may be used by the employers to reduce the existing level of contributions.

(c) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in consolidated profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in consolidated profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(b) An entity is related to the Group (reporting entity) if any of the following conditions applies:

   (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in consolidated profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Group’s position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the Liquidators have made the following judgement that has the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Going concern basis

These consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the successful implementation of the proposed restructuring of the Group and continuance of its business. Details are explained in note 2 to the consolidated financial statements.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

The carrying amount of the cash and bank balances and other receivables included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its current obligations when they fall due.

The remaining contractual maturities as at 30 June 2018 and 2017 of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on the contractual maturity date, could not be presented because of insufficient information arising from the loss of books and records of the Group as disclosed in note 2 to the consolidated financial statements.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its own funding sources.

(d) Interest rate risk

The Group's interest rate risk arises primarily from the Group's bank and other borrowings. Borrowings at variable rates and fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group does not use financial derivatives to hedge against the interest rate risk. Borrowings at fixed rate are insensitive to any change in market rates. The Group's interest rate profile as monitored by management is set out in (i) below.

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2018 Effective interest rate %	**2018** HK$'000	2017 Effective interest rate %	2017 HK$'000
Fixed rate borrowings:				
Corporate bonds	**6.00-7.00**	**45,000**	6.00-7.00	45,000
Other borrowings	**6.00**	**17,276**	6.00	15,059
Variable rate borrowings:				
Bank borrowings	**1.07**	**7,358**	1.07	7,358
Total borrowings		**69,634**		67,417
Fixed rate borrowings as a percentage of total borrowings		**89.4%**		89.1%

(ii) Sensitivity analysis

At 30 June 2018, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease (2017: increase/decrease) the Group's loss after tax and accumulated loss by approximately HK$74,000 (2017: HK$74,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2017.

(e) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
Cash and cash equivalents	**1,510**	4,530
Financial liabilities:		
Financial liabilities at amortised cost:		
Accruals and other payables	**35,013**	35,202
Borrowings	**24,634**	22,417
Amounts due to deconsolidated subsidiaries	**136,097**	136,097
Convertible bonds	**701,099**	701,099
Corporate bonds	**45,000**	45,000
	941,843	939,815

6. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

7. REVENUE

No sales transactions were concluded by the Group during the two years ended 30 June 2018 and 2017.

8. FINANCE COSTS

	2018 **HK$'000**	2017 HK$'000
Interest on other borrowings	**967**	202

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for each of the years ended 30 June 2018 and 2017.

The reconciliation between the income tax and the loss before tax are as follows:

	2018 **HK$'000**	2017 HK$'000
Loss before tax	**(4,887)**	(17,391)
Notional tax on loss before tax, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(806)**	(2,870)
Tax effect of non-deductible expenses and non-taxable income	**806**	2,870
	–	–

10. LOSS FOR THE YEAR

The Group's loss for the year has been arrived at after charging the following:

	2018 **HK$'000**	2017 HK$'000
Auditor's remuneration	**530**	450
Auditor's remuneration-under provision in prior years	**–**	900
Operating lease charges: minimum lease payments for land and buildings	**–**	–
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	**–**	–
Retirement benefits scheme contributions	**–**	–
	–	–

11. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	2018 HK$'000	2017 HK$'000
Loss for the purpose of basic and diluted loss per share	**(4,887)**	(17,391)

Weighted average number of ordinary shares

	Number of shares 2018 '000	 2017 '000
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	**1,001,765**	1,001,765

Convertible bonds and unlisted warrants had anti-dilutive effects on calculating the diluted loss per share for the years ended 30 June 2018 and 2017.

12. ACCRUALS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Accrued charges	**24,765**	24,954
Due to a director	**10,248**	10,248
	35,013	35,202

13. BORROWINGS AND CORPORATE BONDS

	Notes	2018 HK$'000	2017 HK$'000
Unsecured bank borrowings	(a)	**7,358**	7,358
Corporate bonds	(b)	**45,000**	45,000
Other borrowings repayable within 1 year	(c)	**17,276**	15,059
		69,634	67,417

(a) At 30 June 2018, the effective interest rates of the bank borrowings are at 1.07% (2017: 1.07%) per annum.

(b) As at 30 June 2018, the Group has eight (2017: eight) unlisted straight bonds issued to eight (2017: eight) independent investors in an aggregate principal amount of HK$45,000,000 (2017: HK$45,000,000) (the "Bonds"). The Bonds are unsecured, arranged at fixed interest rates of 6% to 7% per annum and immediately due because of the liquidation of the Company.

(c) Other borrowings as at 30 June 2018 are denominated in HK$, unsecured and bear an interest charge at 6% per annum.

14. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

The amounts due to deconsolidated subsidiaries are unsecured, interest-free and has no fixed term of repayment.

15. CONVERTIBLE BONDS

The carrying value of the liability component of the convertible bonds is as follow:

	2018 **HK$'000**	2017 HK$'000
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	**701,099**	701,099

16. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Authorised:		
Ordinary shares of HK$0.10 each		
At 30 June 2018 and 2017	3,000,000	300,000

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	1,001,765	100,177

Capital management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts as it sees fit and appropriate.

17. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

17. RESERVES (CONTINUED)

(b) Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bond equity reserve HK$'000	Warrant reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 July 2016	453,352	11,527	164,169	449	(1,502,277)	(872,780)
Loss for the year	–	–	–	–	(17,229)	(17,229)
At 30 June 2017 and 1 July 2017	453,352	11,527	164,169	449	(1,519,506)	(890,009)
Loss for the year	–	–	–	–	(4,793)	(4,793)
At 30 June 2018	453,352	11,527	164,169	449	(1,524,299)	(894,802)

(c) Nature and purpose of reserves of the Group and the Company

(i) Share premium and contributed surplus

Contributed surplus of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of the subsidiaries acquired through exchange of shares pursuant to the Group reorganisation in 2000.

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

(ii) Convertible bond equity reserve

Convertible bond equity reserve represents the net proceeds received from the issue of convertible bonds of the Company. The reserve will be transferred to share capital and share premium accounts upon the conversion of convertible bonds.

(iii) Warrant reserve

Warrant reserve represents the net proceeds received from the issue of warrants of the Company. The reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants.

18. SHARE OPTION SCHEME

During the year ended 30 June 2013, a new share option scheme ("New Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2013. During the year ended 30 June 2018 and 2017, no share option was granted to the relevant participants under the New Scheme.

19. AMOUNT DUE TO A DIRECTOR

The amount due to a director, Mr. Wu Shaoning, is included in accruals and other payables (note 12). The amount due to a director is unsecured, interest-free and repayable on demand.

20. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

The following table shows the Group's changes in liabilities arising from financing activities during the year:

	Borrowings HK$'000	Total liabilities from financing activities HK$'000
At 1 July 2016	7,358	7,358
Changes in cash flows	15,059	15,059
At 30 June 2017 and 1 July 2017	22,417	22,417
Changes in cash flows	2,217	2,217
At 30 June 2018	24,634	24,634

21. PARTICULARS OF THE PRINCIPAL SUBSIDIARY OF THE COMPANY

Name	Place of incorporation/registration	Issued and paid-up capital	Percentage of ownership interest		Principal activities
			Direct	Indirect	
Topmart Limited	Hong Kong	HK$2	–	100%	Investment holding and general trading and export

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 **HK$'000**	2017 HK$'000
Current asset		
Prepayment	**177**	18
Cash and cash equivalents	**922**	3,849
	1,099	3,867
Current liabilities		
Accruals and other payables	**32,349**	32,541
Borrowings	**17,276**	15,059
Convertible bonds	**701,099**	701,099
Corporate bonds	**45,000**	45,000
	795,724	793,699
Net current liabilities	**(794,625)**	(789,832)
Net liabilities	**(794,625)**	(789,832)
Capital and reserves		
Share capital	**100,177**	100,177
Share premium and reserves	**(894,802)**	(890,009)
TOTAL DEFICIT	**(794,625)**	(789,832)

23. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's business and financial restructuring in progress, and further details of which are stated in note 2 to these consolidated financial statements.

24. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved and authorised for issue by the Joint and Several Liquidators on 11 April 2019.