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)

Interim Report 2017/18

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Independent Non-Executive Director:
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

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
P.O. 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

China Agrotech Holdings Limited (In Liquidation) (the "Company") hereby presents the report and the unaudited financial statements of the Company and its subsidiary for the six months ended 31 December 2017 (the "Reporting Period").

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 condensed 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 six months ended 31 December 2017, the Group has no turnover (six months ended 31 December 2016: nil) and the Group's net loss was approximately HK$3.2 million (six months ended 31 December 2016: net loss of approximately HK$0.3 million).

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 six months ended 31 December 2017.

As at 31 December 2017, the Group had cash and cash equivalents of approximately HK$1.3 million (as at 30 June 2017: approximately HK$4.5 million). As at 31 December 2017, the Group's current ratio (current assets to current liabilities) was approximately 0.2% (as at 30 June 2017: approximately 0.5%).

Indebtedness and Banking Facilities

As at 31 December 2017, the Group had bank and other borrowings of approximately HK$67.7 million (as at 30 June 2017: approximately HK$67.4 million)

As at 31 December 2017, the Group has eight unlisted straight bonds (as at 30 June 2017: eight) issued to eight independent investors (as at 30 June 2017: eight) in an aggregate principal amount of HK$45 million (the "Bonds") (as at 30 June 2017: HK$45 million). 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 31 December 2017, the Group's gearing ratio could not be determined because there was a deficit of equity attributable to owners of the Company (30 June 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.

Assets and Liabilities

As at 31 December 2017, the Group had total assets of approximately HK$1.5 million (as at 30 June 2017: approximately HK$4.5 million) and total liabilities of HK$946.6 million (as at 30 June 2017: approximately HK$946.5 million). The net liabilities of the Group as at 31 December 2017 were approximately HK$945.1 million (as at 30 June 2017: net liabilities of approximately HK$941.9 million).

BUSINESS AND FINANCIAL REVIEW

Capital Structure
As at 31 December 2017, there were 1,001,765,216 ordinary shares in issue.

Save as disclosed above, there was no movement in the issued share capital of the Company during the six months ended 31 December 2017.

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 31 December 2017.

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 31 December 2017.

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 31 December 2017.

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
The Group had no salaries and other remunerations incurred during the six months ended 31 December 2017.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits.

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 six months ended 31 December 2017, no share option was granted (30 June 2017: nil).

Foreign Currency Exposure
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.

PROSPECTS

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 Islands, the shareholders and the creditors.

Purchase, Sale or Redemption of the Listed Securities of the Company
To the best knowledge of the Liquidators, neither the Company nor its subsidiary has purchased, sold or redeemed any of the Company's shares during the six months ended 31 December 2017.

Related Party Transactions
To the best knowledge of the Liquidators, no related party transaction has been made for the six months ended 31 December 2017.

Dividends
No dividend is declared for the six months ended 31 December 2017 (six months ended 31 December 2016: nil)

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 six months ended 31 December 2017, 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 31 December 2017 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 31 December 2017 and the date of this Report.

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 interim results for the six months ended 31 December 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2017

	Notes	Six months ended 31 December 2017 (Unaudited) HK$'000	2016 (Unaudited) HK$'000
Revenue		**–**	–
General and administrative expenses		**(2,693)**	(254)
Loss from operations		**(2,693)**	(254)
Finance costs	*4*	**(460)**	–
Loss before tax		**(3,153)**	(254)
Income tax	*5*	**–**	–
Loss and total comprehensive loss for the period attributable to owners of the Company	*6*	**(3,153)**	(254)
Loss per share	*7*		
– Basic (HK$ cents per share)		**(0.31)**	(0.03)
– Diluted (HK$ cents per share)		**(0.31)**	(0.03)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	**As at 31 December 2017 (Unaudited) HK$'000**	As at 30 June 2017 (Audited) HK$'000
Current assets			
Other receivables		**180**	15
Cash and cash equivalents		**1,329**	4,530
		1,509	4,545
Current liabilities			
Accrual and other payables		**35,063**	35,202
Borrowings		**22,673**	22,417
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
		946,610	946,493
Net current liabilities		**(945,101)**	(941,948)
Net liabilities		**(945,101)**	(941,948)
Capital and reserves			
Share capital	*8*	**100,177**	100,177
Share premium and reserves		**(1,045,278)**	(1,042,125)
Total deficit		**(945,101)**	(941,948)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2017

	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
At 1 July 2016 (audited)	100,177	453,352	164,169	449	(1,642,704)	(924,557)
Total comprehensive loss for the period (unaudited)	–	–	–	–	(254)	(254)
At 31 December 2016 (unaudited)	100,177	453,352	164,169	449	(1,642,958)	(924,811)
At 1 July 2017 (audited)	100,177	453,352	164,169	449	(1,660,095)	(941,948)
Total comprehensive loss for the period (unaudited)	–	–	–	–	(3,153)	(3,153)
At 31 December 2017 (unaudited)	100,177	453,352	164,169	449	(1,663,248)	(945,101)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2017

	Six months ended 31 December	
	2017	2016
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	**(2,997)**	548
Net cash generated from financing activities	**(204)**	–
Net (decrease)/increase in cash and cash equivalents	**(3,201)**	548
Cash and cash equivalents at beginning of period	**4,530**	1,058
Cash and cash equivalents at end of period	**1,329**	1,606
Analysis of cash and cash equivalents		
Cash and cash equivalents	**1,329**	1,606

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

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 and the principal activities of the Company's subsidiary is investment holding and general trading and export.

2 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 " Interim Financial Reporting " issued by the Hong Kong Institute of Certified Public Accountants (the " HKICPA ") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed financial statements should be read in conjunction with the Group's annual consolidated financial statements for the year ended 30 June 2017 ("2017 Annual Report"). The accounting policies and methods of computation used in the preparation of these condensed financial statements are consistent with those used in 2017 Annual Report.

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.

2 BASIS OF PREPARATION (CONTINUED)

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

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.

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 RMB 60,000,000.

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 and 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 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 and preferential offering

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, 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.

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 and preferential offering

The Company proposes to raise in aggregate net proceeds of approximately HK$123,173,000 (gross proceeds of HK$125,687,000 deducting 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 controlled 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$3,153,000 for the six months ended 31 December 2017 and as at 31 December 2017 the Group had net current liabilities and net liabilities of the same amount of approximately HK$945,101,000. 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 period, 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 period 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 condensed consolidated financial statements and amounts reported for the current and prior periods.

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 FINANCE COSTS

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on borrowings	**460**	–

5 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 six months ended 31 December 2017 and 2016.

6 LOSS FOR THE PERIOD

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

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Operating lease charges: minimum lease payments for land and buildings	**–**	–
Staff costs (including directors' remuneration)	**–**	–

7 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:

	Six months ended 31 December	
	2017	2016
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Loss for the purpose of basic and diluted loss per share	**(3,153)**	(254)

Weighted average number of ordinary shares

	Number of Shares	
	2017	2016
	(Unaudited)	(Unaudited)
	'000	'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 six months ended 31 December 2017 and 2016.

8 SHARE CAPITAL

	As at 31 December 2017 (Unaudited) HK$'000	As at 30 June 2017 (Audited) HK$'000
Authorised:		
3,000,000,000 ordinary shares of HK$0.10 each	**300,000**	300,000
Issued and fully paid:		
1,001,765,216 (30 June 2017: 1,001,765,216) ordinary shares of HK$0.10 each	**100,177**	100,177

9 CAPITAL COMMITMENTS

As at 31 December 2017, the Group had no material capital commitments (30 June 2017: Nil).

10 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 condensed consolidated financial statements.

11 APPROVAL OF FINANCIAL STATEMENTS

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