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CHINA AGROTECH HOLDINGS LIMITED

(In Liquidation)

浩倫農業科技集團有限公司*

(清盤中)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1073)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The joint and several liquidators (the “**Liquidators**”) of China Agrotech Holdings Limited (In Liquidation) (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiary (the “**Group**”) for the six months ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2018

	Notes	Six months ended 31 December	
		2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Revenue		–	–
Administrative expenses		<u>(3,678)</u>	<u>(2,693)</u>
Loss from operations		(3,678)	(2,693)
Finance costs	4	<u>(565)</u>	<u>(460)</u>
Loss before tax		<u>(4,243)</u>	<u>(3,153)</u>
Income tax	5	<u>–</u>	<u>–</u>
Loss and total comprehensive loss for the period attributable to owners of the Company	6	<u><u>(4,243)</u></u>	<u><u>(3,153)</u></u>
Loss per share	7		
– Basic (HK\$ cents per share)		<u><u>(0.42)</u></u>	<u><u>(0.31)</u></u>
– Diluted (HK\$ cents per share)		<u><u>(0.42)</u></u>	<u><u>(0.31)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	<i>Note</i>	As at 31 December 2018 (Unaudited) <i>HK\$'000</i>	As at 30 June 2018 (Audited) <i>HK\$'000</i>
Current assets			
Other receivables		174	176
Cash and cash equivalents		1,231	1,510
		<u>1,405</u>	<u>1,686</u>
Current liabilities			
Accruals and other payables		35,411	35,013
Borrowings		28,198	24,634
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
		<u>952,483</u>	<u>948,521</u>
Net current liabilities		<u>(951,078)</u>	<u>(946,835)</u>
Net liabilities		<u>(951,078)</u>	<u>(946,835)</u>
Capital and reserves			
Share capital	8	100,177	100,177
Share premium and reserves		(1,051,255)	(1,047,012)
Total deficit		<u>(951,078)</u>	<u>(946,835)</u>

Notes:

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

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 1:00p.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.

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 Alan Feng (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.

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
- v. Creditors' Scheme

(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.

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

It is proposed that the creditors scheme will be implemented as follows:

- 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.

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\$4,243,000 for the six months ended 31 December 2018 and as at 31 December 2018 the Group had net current liabilities and net liabilities of the same amount of approximately HK\$951,078,000. 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 2018. 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	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on borrowings	<u>565</u>	<u>460</u>

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 2018 and 2017.

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	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating lease charges: minimum lease payments for land and buildings	–	–
Staff costs (including directors' remuneration)	<u>–</u>	<u>–</u>

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	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share	<u>(4,243)</u>	<u>(3,153)</u>
Weighted average number of ordinary shares		

	Number of Shares	
	2018	2017
	(Unaudited)	(Unaudited)
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares used in calculating basic and diluted loss per share	<u>1,001,765</u>	<u>1,001,765</u>

Convertible bonds and unlisted warrants had anti-dilutive effects on calculating the diluted loss per share for the six months ended 31 December 2018 and 2017.

8 SHARE CAPITAL

	As at 31 December 2018 (Unaudited) HK\$'000	As at 30 June 2018 (Audited) HK\$'000
Authorised:		
3,000,000,000 ordinary shares of HK\$0.10 each	<u><u>300,000</u></u>	<u><u>300,000</u></u>
Issued and fully paid:		
1,001,765,216 (30 June 2018: 1,001,765,216) ordinary shares of HK\$0.10 each	<u><u>100,177</u></u>	<u><u>100,177</u></u>

9 CAPITAL COMMITMENTS

As at 31 December 2018, the Group had no material capital commitments (30 June 2018: 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 this announcement.

11 DIVIDENDS

No dividend is declared for the six months ended 31 December 2018 (six months ended 31 December 2017: nil).

12 CODE ON CORPORATE GOVERNANCE PRACTICES

The Liquidators were appointed on 17 August 2015 pursuant to an Order of the High Court of Hong Kong. Consequently, the Liquidators are unable to comment as to whether the Company complied with the Code on Corporate Governance Practices throughout the six months ended 31 December 2018.

13 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.

14 PURCHASE, SALE OR REDEMPTION OF 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 six months ended 31 December 2018.

15 CONTINUED SUSPENSION OF TRADING IN THE SHARES

At the request of the Company, trading in the shares of the Company on the Stock Exchange had been suspended since 1:00 p.m. on 18 September 2014 and will remain suspended until further notice.

For and on behalf of
CHINA AGROTECH HOLDINGS LIMITED
(In Liquidation)
Stephen Liu Yiu Keung
David Yen Ching Wai
Joint and Several Liquidators

Hong Kong, 11 April 2019.

As at the date of this announcement, the executive directors of the Company are Ms. Chen Xiao Fang, Mr. Zhang Liang and Mr. Xu Jiangtao; and the independent non-executive director of the Company is Ms. Zhao Jianhua.

* *For identification purpose only*