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## LETTER FROM THE LIQUIDATORS

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### CHINA AGROTECH HOLDINGS LIMITED

浩倫農業科技集團有限公司\*

(In Liquidation)

(To be renamed as Da Yu Financial Holdings Limited 大禹金融控股有限公司)

(Incorporated in the Cayman Islands with limited liability)

*Liquidators:*

Mr. Stephen Liu Yiu Keung

Mr. David Yen Ching Wai

*Registered office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

28 June 2019

*To the Qualifying Shareholders and, for information only, the Excluded Shareholders*

Dear Sir or Madam,

### **PUBLIC OFFER WITH PREFERENTIAL OFFERING**

#### **INTRODUCTION**

References are made to (i) the Circular in relation to, among other things, the YM Subscription, the New Placing, the Creditors' Scheme, the Acquisition and the Public Offer; and (ii) the subsequent announcements of the Company dated 29 May 2019, 30 May 2019, 5 June 2019, 13 June 2019, 14 June 2019, 19 June 2019, 20 June 2019 and 21 June 2019.

Trading in the Shares on the Stock Exchange has been suspended since 1:00 p.m. on 18 September 2014. The Company was placed into the third delisting stage under Practice Note 17 to the Listing Rules by the Listing Department and the Resumption was subject to conditions imposed by the Stock Exchange. On 9 February 2015, the Company was ordered by the High Court to be wound up. On 24 August 2016, the Company submitted the Resumption Proposal containing, among others, the Acquisition which constitutes a very substantial acquisition and a reverse takeover for the Company under Chapter 14 of the Listing Rules, to the Stock Exchange. The Company filed and renewed the New Listing Application on 28 April 2017, 6 November 2017, 11 October 2018 and 11 April 2019. The Stock Exchange granted the in-principle approval to the New Listing Application and the despatch of the Circular on 24 April 2019 and the Circular was despatched on 27 April 2019.

\* For identification purpose only

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Pursuant to the Acquisition Agreement, the Company will acquire the entire share capital of Yu Ming at a consideration of HK\$400.0 million, which will be satisfied by the Company in cash within three days upon Acquisition Completion. Upon Acquisition Completion, Yu Ming will become a wholly-owned subsidiary of the Company. As at the Latest Practicable Date, Yu Ming is an indirect wholly-owned subsidiary of Allied Group and is a licensed corporation under the SFO authorised to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities.

The Company does not intend to continue the existing businesses of the Group after Resumption. The Excluded Companies, being all the existing subsidiaries of the Company, will be divested pursuant to the Creditors' Scheme. Immediately following Acquisition Completion and the Creditors' Scheme becoming effective, the Enlarged Group will only consist of the Company and Yu Ming. After Acquisition Completion, the Enlarged Group will be principally engaged in the provision of corporate finance advisory services and asset management services. Other than the transactions contemplated under the Proposed Restructuring and the introduction of the business of Yu Ming, the Company does not intend to introduce any major change to the Enlarged Group's business.

Please refer to the Circular for details of transactions contemplated under the Proposed Restructuring, including the YM Subscription, the New Placing, the Creditors' Scheme and the Acquisition.

On 22 May 2019, relevant resolutions approving the transactions contemplated under the Proposed Restructuring, including, among others, the Capital Reorganisation, the Subscriptions, the New Placing (if Ms. Chong's Subscription Agreement lapses), the Creditors' Scheme, the Acquisition, the Public Offer (including the Preferential Offering), the Whitewash Waiver and the Special Deal were duly passed at the EGM following the Chairman's Decision. For details of transactions contemplated under the Proposed Restructuring, including the Subscriptions, the New Placing (if Ms. Chong's Subscription Agreement lapses) and the Acquisition, please refer to the Circular.

On 4 June 2019, at the Hearing before the Grand Court, the Company informed the Grand Court of the votes cast by the Dissenting Shareholder against the proposed resolutions relating to the Proposed Restructuring at the EGM and the Chairman's Decision. To avoid potential dispute from the Dissenting Shareholder, the Grand Court directed and the Company filed the Declaratory Summons dated 12 June 2019 seeking a declaration that the resolutions proposed at the EGM were validly passed as declared by the chairman of the EGM; and/or in the alternative, a declaration that the votes of the Dissenting Shareholder cast at the EGM in respect of the proposed capital reduction of the Company be set aside and disregarded in determining whether the resolutions considered at the EGM were passed. The Grand Court has listed the hearing of the Declaratory Summons and the application for confirmation of the Capital Reduction on 5 July 2019. The Grand Court further directed that if the Dissenting Shareholder, or any other shareholder of the Company, wishes to appear and be heard in relation to the application to reduce the capital of the Company on 5 July 2019, that party must provide the Company with written notice of the intention to appear and be heard and must file and serve any evidence in support of their position by 26 June 2019. As at the Latest Practicable Date, no written notice was received by the Company. It

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is expected that the Capital Reduction will be confirmed by the Grand Court shortly after the hearing to be held on 5 July 2019 and the Capital Reorganisation will become effective on 15 July 2019. Please refer to the section headed “Specific Risk Associated with the Proposed Restructuring” in this prospectus for further details.

Pursuant to the order dated 30 April 2019 and the order dated 11 June 2019, the Grand Court and the High Court has respectively directed, among others, the Scheme Meeting to be convened for the purpose of considering and, if thought fit, approving the Creditors’ Scheme. The Scheme Document was despatched to the Creditors on 13 June 2019 and the Scheme Meeting will be held on 5 July 2019. Subject to the approval of the Creditors’ Scheme by the Creditors at the Scheme Meeting, hearing for sanctioning the Creditors’ Scheme by the Grand Court and the High Court will be held on 8 July 2019 (Cayman Islands time) and 9 July 2019 (Hong Kong time) respectively. It is expected that the Creditors’ Scheme will become effective on or before 15 July 2019.

As part of the structure of the Proposed Restructuring, the Company proposes to raise in aggregate approximately HK\$125.7 million, before expenses, by way of the Public Offer of 241,705,083 Offer Shares.

The purpose of this prospectus is to provide you with, among other things, further details of (i) the Public Offer and the Preferential Offering (including the procedures for application and payment for the Offer Shares and/or Reserved Shares); (ii) the financial information of Yu Ming and the Group; and (iii) the general information of Yu Ming and the Group.

### **THE YM SUBSCRIPTION AND THE NEW PLACING FOLLOWING LAPSE OF MS. CHONG’S SUBSCRIPTION**

The Company entered into (i) the Ms. Chong’s Subscription Agreement on 28 December 2018 with Ms. Chong for the allotment and issue to Ms. Chong of 512,698,586 Subscription Shares, representing approximately 45.0% of the enlarged shareholding in the Company upon completion of the Subscriptions and the Public Offer; and (ii) the YM Subscription Agreement on 28 December 2018 with Mr. Warren Lee and the Yu Ming Team for the allotment and issue to Mr. Warren Lee and the Yu Ming Team of 227,250,000 Subscription Shares and 57,500,000 Subscription Shares, representing approximately 19.9% and 5.0% of the enlarged shareholding in the Company upon completion of the Subscriptions and the Public Offer respectively.

Each of Mr. Warren Lee and the Yu Ming Team agrees that he/she will upon completion of the YM Subscription provide a non-disposal undertaking to the Stock Exchange and the Company that he/she will not dispose of any of his/her interests in the Company for, in respect of Mr. Warren Lee, Ms. Li Ming and Mr. Lam Chi Shing, all being proposed executive Directors, a period of one year and in respect of the rest of the Yu Ming Team, a period of six months, after Resumption.

As fall back for the lapse of Ms. Chong’s Subscription Agreement, the Company entered into the New Placing Agreement with the Placing Agent for the placing of the 512,698,586 Subscription Shares not subscribed by Ms. Chong to not less than ten Independent Placees (which may include Ms. Chong) at the New Placing Price of HK\$0.52 per New Placing 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.

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On 14 June 2019, the Company and Ms. Chong entered into a deed of termination to terminate the Ms. Chong's Subscription Agreement so as to expedite the completion of the transactions contemplated under the Proposed Restructuring. With the termination of the Ms. Chong Subscription Agreement, the Proposed Restructuring will be carried on with the New Placing and the YM Subscription. Accordingly, the transactions contemplated under the Proposed Restructuring will no longer be subject to the Takeovers Code, and the Whitewash Waiver and consent to the Special Deal are no longer applicable.

### THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

As part of the Proposed Restructuring, the Company proposes to raise in aggregate approximately HK\$125.7 million, before expenses, by way of the Public Offer of 241,705,083 Offer Shares, among which 150,264,780 Offer Shares will be offered as Reserved Shares to the Qualifying Shareholders under the Preferential Offering and the remaining 91,440,303 Offer Shares will be offered to the public, representing approximately 62.2% and 37.8% of the total number of Offer Shares under the Public Offer respectively, at the Offer Price of HK\$0.52 per Offer Share.

#### Issue statistics of the Public Offer

Number of Offer Shares	:	241,705,083 Offer Shares, including 150,264,780 Reserved Shares under the Preferential Offering (subject to reallocation)
Basis of the Preferential Offering	:	three (3) Offer Shares for every twenty (20) Shares (equivalent to two (2) New Shares upon the Capital Reorganisation becoming effective) held on the Record Date
Offer Price	:	HK\$0.52 per Offer Share (payable in full upon application, plus brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, subject to refund)
Number of Shares in issue as at the Latest Practicable Date	:	1,001,765,216 Shares, equivalent to 100,176,521 New Shares upon the Capital Reorganisation becoming effective
Underwriter	:	Sun Hung Kai Investment Services Limited
Underwriting commission	:	2.0%

The Public Offer will be fully underwritten by the Underwriter for the aggregate 241,705,083 Offer Shares. Save and except that the Underwriter and its ultimate beneficial owner(s) are the associates of Allied Group, they are Independent Third Parties.

The Company has no outstanding options, warrants, derivatives or convertible securities in issue which confer any rights to subscribe for, convert or exchange into the Shares as at the Latest Practicable Date.

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The Company has not procured any undertaking and has not received any undertaking provided by any Shareholder to subscribe for the Reserved Shares under his/her/its Assured Entitlement under the Preferential Offering or any arrangement that may have an effect on the Public Offer.

### **The Offer Shares**

Assuming the Capital Reorganisation having become effective, the 91,440,303 Offer Shares for initial offering to the public and 150,264,780 Reserved Shares for offering to the Qualifying Shareholders represent: (i) approximately 91.3% and 1.5 times of the total number of issued New Shares as at the Latest Practicable Date; (ii) approximately 26.7% and 44.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Offer Shares; and (iii) approximately 8.1% and 13.2% of the issued share capital of the Company as enlarged by the allotment and issue of the YM Subscription Shares, the New Placing Shares and the Offer Shares respectively.

### **The Offer Price**

The Offer Price of HK\$0.52 per Offer Share is equivalent to the Subscription Price, which represents:

- (i) a discount of approximately 78.8% to the theoretical closing price of HK\$2.45 per New Share based on the closing price of HK\$0.245 per Share (before the Capital Reorganisation has become effective) as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 78.7% to the average theoretical closing price of HK\$2.446 per New Share based on the average of the closing price of HK\$0.2446 per Share (before the Capital Reorganisation has become effective) as quoted on the Stock Exchange for the five trading days up to and including the Last Trading Day;
- (iii) a discount of approximately 78.0% to the average theoretical closing price of HK\$2.366 per New Share based on the average of the closing price of HK\$0.2366 per Share (before the Capital Reorganisation has become effective) as quoted on the Stock Exchange for the 10 trading days up to and including the Last Trading Day;
- (iv) a discount of approximately 59.8% to the theoretical ex-entitlement price of approximately HK\$1.292 per New Share based on the theoretical closing price of HK\$2.45 per New Share based on the closing price of HK\$0.245 per Share (before the Capital Reorganisation has become effective) as quoted on the Stock Exchange on the Last Trading Day; and
- (v) a premium of approximately HK\$10.01 over the Group's unaudited consolidated net deficit per New Share of approximately HK\$9.49 as at 31 December 2018.

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The net price per Offer Share (after deduction of underwriting commission) will be approximately HK\$0.51. The Offer Price is identical to the Subscription Price, which were determined after taken into account the prevailing financial position of the Company and the amount of funds required to be raised by the Company. Based on the foregoing, the Liquidators are of the view that the Offer Price is fair and reasonable.

Applicants for the Public Offer will be required to pay the Offer Price of HK\$0.52 per Offer Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, amounting to a total of HK\$2,626.20 for each board lot of 5,000 New Shares. If an application is rejected, not accepted or accepted in part only, arrangements will be made to refund the application monies or the appropriate portion thereof (including brokerage, SFC transaction levy and the Stock Exchange trading fee) to the applicants, without interest.

### **Basis of Assured Entitlement**

In order to enable the Existing Shareholders to participate in the Public Offer on a preferential basis as to allocation, Qualifying Shareholders are entitled to apply for an aggregate of 150,264,780 Reserved Shares under the Preferential Offering on the basis of Assured Entitlement of three (3) Offer Shares for every integral multiple of twenty (20) Shares (equivalent to two (2) New Shares upon the Capital Reorganisation becoming effective) held by the Qualifying Shareholders on the Record Date. Application for all or any part of a Qualifying Shareholder's Assured Entitlement should be made by completing the **BLUE** Application Form and lodging the same with a remittance for the Reserved Shares being applied for.

Qualifying Shareholders should note that Assured Entitlement to Reserved Shares may not represent a number of a full board lot of 5,000 New Shares. Further, there is no fractional entitlements to the Reserved Shares; the Reserved Shares allocated to a Qualifying Shareholder will be rounded down to the nearest whole number if required. Qualifying Shareholders should note that dealings in odd lots of the New Shares may be at a price below the prevailing market price for full board lots.

Qualifying Shareholders who hold less than twenty (20) Shares (equivalent to two (2) New Shares upon the Capital Reorganisation becoming effective) on the Record Date will not have an Assured Entitlement to Reserved Shares under the Preferential Offering and therefore will be entitled to participate in the Preferential Offering by applying for excess Reserved Shares only, and such application will only be satisfied to the extent there are sufficient available Reserved Shares as described below.

If the Public Offer is terminated, the Preferential Offering will not proceed.

### **Basis of allocation for applications for Reserved Shares**

Qualifying Shareholders may apply on a **BLUE** Application Form for a number of Reserved Shares which is greater than, less than or equal to their Assured Entitlement under the Preferential Offering or may apply only for excess Reserved Shares under the Preferential Offering.

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A valid application for a number of Reserved Shares which is less than or equal to a Qualifying Shareholder's Assured Entitlement under the Preferential Offering will be accepted in full, subject to the terms and conditions set out in the **BLUE** Application Form and assuming the conditions of the Public Offer are satisfied and the Public Offer is not terminated.

Where a Qualifying Shareholder applies for a number of Reserved Shares which are greater than the Qualifying Shareholder's Assured Entitlement under the Preferential Offering, the relevant Assured Entitlement will be satisfied in full, subject to the aforementioned terms and conditions and set forth on the **BLUE** Application Form, but the excess portion of such application will only be satisfied to the extent that there are sufficient Reserved Shares available as described below resulting from other Qualifying Shareholders declining to take up some or all of their Assured Entitlement by way of allocation by the Underwriter on a fair and reasonable basis. Such allocation basis is consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of excess Reserved Shares.

Untaken Reserved Shares, after satisfying excess applications for Reserved Shares, will be allocated to the Public Offer.

### **Basis of allocations for excess Reserved Shares**

Qualifying Shareholders who intend to apply for excess Reserved Shares must apply for a number which is one of the numbers set out in the table of numbers in the **BLUE** Application Form (except HKSCC Nominees) and make a payment of the corresponding amount.

Where a Qualifying Shareholder applies for excess Reserved Shares under the Preferential Offering, such application will only be satisfied to the extent that there are sufficient Reserved Shares available as described below.

To the extent that the excess applications for the Reserved Shares are:

- (a) less than the Untaken Reserved Shares, such Untaken Reserved Shares will first be allocated to satisfy such excess applications for the Reserved Shares in full and thereafter will be allocated to the Public Offer;
- (b) equal to the Untaken Reserved Shares, the Untaken Reserved Shares will be allocated to satisfy such excess applications for the Reserved Shares in full; or
- (c) more than the Untaken Reserved Shares, the Untaken Reserved Shares will be allocated on a fair and reasonable basis consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications for smaller number of shares. No preference will be given to any excess applications made to top up odd lot holdings to whole lot holdings of New Shares.

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Shareholders (not being Excluded Shareholders) whose New Shares are held by a nominee company should note that the Company will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, such Shareholders whose New Shares are held by a nominee company should note that the arrangement under paragraph (c) above will not apply to them individually. Any Shareholders (not being Excluded Shareholders) whose New Shares are registered in the name of a nominee, trustee or registered holder in any other capacity should make arrangements with such nominee, trustee or registered holder in relation to applications for Reserved Shares under the Preferential Offering. The Hong Kong Branch Share Registrar will allocate the Reserved Shares under the Preferential Offering to the Qualifying Shareholders in accordance with the allocation basis mentioned above.

### **No transfer of nil-paid entitlements**

Assured Entitlement of the Qualifying Shareholders to Reserved Shares are not transferable. There will be no trading in nil-paid entitlements on the Stock Exchange.

### **Status of the Offer Shares**

The Offer Shares, when allotted, issued and fully paid, will rank *pari passu* in all respects with the then existing New Shares in issue on the date of allotment and issue of the Offer Shares. Holders of such Offer Shares will be entitled to receive all future dividends and distributions which are declared after the date of allotment and issue of the Offer Shares.

### **Qualifying Shareholders**

The Preferential Offering is only available to the Qualifying Shareholders. The Company will send this prospectus and the **BLUE** Application Form to the Qualifying Shareholders only. For the Excluded Shareholders, the Company will send copies of this prospectus to them for their information only, no Application Form will be sent to the Excluded Shareholders. To qualify for the Preferential Offering, a Shareholder must, at the close of business on the Record Date: (i) be registered as a member of the Company on the register of members of the Company; and (ii) not be an Excluded Shareholder. As at the Record Date, there were 130 Shareholders on the register of members of the Company.

For the avoidance of doubt, the Subscribers and the Independent Placees are not Qualifying Shareholders and will not be entitled to the Assured Entitlement.

Pursuant to the undertakings provided by the Proposed Directors, the Yu Ming Team, the Vendor and Allied Group, save for Mr. Warren Lee and the Yu Ming Team under the YM Subscription, each of them shall not and shall procure their respective associates not to acquire any Shares prior to the Resumption. Other than the entering into of the YM Subscription Agreement, none of Allied Group, Mr. Warren Lee and the Yu Ming Team and parties acting in concert with any of them has (i) acquired or disposed of or entered into any agreement or arrangement to acquire or dispose of any voting rights in the Company within the six months prior to the date of the YM Subscription Agreement and up to the Latest Practicable Date; or (ii) dealt in the shares of the Company during the relevant period. In



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such regards, (i) the Proposed Directors (including Mr. Warren Lee) and their associates; (ii) the Yu Ming Team and their associates; and (iii) any of the associates and associated companies of Allied Group will not participate in the Public Offer and since they are not a Shareholder, they will not be entitled to the Preferential Offering.

### Excluded Shareholders

The Public Offer Prospectus Documents will not be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

According to the register of members of the Company as at the Record Date, there was one Overseas Shareholder holding 15,600 Shares whose registered address is in the PRC, representing approximately 0.002% of the issued share capital of the Company as at the Record Date. In compliance with the necessary requirements of the Listing Rules, the Liquidators have made enquiries regarding the feasibility of extending the Preferential Offering to the Overseas Shareholder. Based on the advice provided by the legal advisers as to the laws of the PRC, as at the Record Date, the laws of the PRC impose no restrictions on extending the Preferential Offering to Overseas Shareholders located in the PRC, and the Company is not required to obtain any approvals for the despatch of this prospectus and/or the **BLUE** Application Form to such Overseas Shareholder. Accordingly, there is no Excluded Shareholder as at the Record Date.

Save as described above, no action has been taken to permit the Preferential Offering, or the distribution of this prospectus and/or the **BLUE** Application Form, in any territory or jurisdiction outside Hong Kong. Accordingly, no person receiving a copy of this prospectus and/or the **BLUE** Application Form in any territory or jurisdiction outside Hong Kong may treat it as an offer or invitation to apply for the Offer Shares and/or Reserved Shares, unless in the relevant jurisdiction such an offer or invitation could lawfully be made without compliance with any registration or other legal or regulatory requirements. Persons into whose possession this prospectus and/or the **BLUE** Application Form(s) come (including without limitation, agents, custodians, nominees and trustees) should inform themselves of, and observe, any such restriction. Any failure to comply with such restriction may constitute a violation of the securities law of any such jurisdiction. Receipt of this prospectus and/or the **BLUE** Application Form(s) does not and will not constitute an offer in those jurisdiction in which it would be illegal to make an offer and, in those circumstances, this prospectus and/or the **BLUE** Application Form(s) must be treated as sent for information only and should not be copied or redistributed.

It is the responsibility of the Qualifying Shareholders outside Hong Kong wishing to make an application for the Offer Shares and/or Reserved Shares to satisfy himself/herself/itself before acquiring any rights to subscribe for the Offer Shares and/or Reserved Shares as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents, and to pay any taxes and duties required to be paid in such territory in connected therewith. Any application for the Offer Shares and/or Reserved Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If you are in doubt as to your position, you should consult your own professional advisers. The Company reserves the right to refuse to accept any application for

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the Offer Shares and/or Reserved Shares where it believes that doing so would violate the applicable securities or other laws or regulations of any jurisdiction. For the avoidance of doubt, neither Hong Kong Securities Clearing Company Limited nor HKSCC Nominees will give, or be subject to, any of the above representation and warranty.

### **Application procedures**

The procedures for application under and the terms and conditions of the Preferential Offering are set out in “How to Apply for Offer Shares and Reserved Shares – 3. Applying for Offer Shares” and on the **BLUE** Application Forms.

### **Application for listing**

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares. Subject to the granting of the approval for the listing of, and permission to deal in, the Offer Shares on the Stock Exchange, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement date of dealings in the Offer Shares on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Dealings in the Offer Shares, which are registered in the branch register of members of the Company in Hong Kong will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

All necessary arrangements will be made to enable the Offer Shares in their fully paid form to be admitted to CCASS. The first day of dealings in the Offer Shares is expected to commence on Friday, 26 July 2019.

The Offer Shares will be traded in the board lot size of 5,000 New Shares per board lot.

### **Share certificates for the Offer Shares**

Subject to the fulfillment of the conditions of the Public Offer as set out in “Structure and Conditions of the Public Offer and the Preferential Offering – Conditions of the Public Offer” in this prospectus and the Underwriting Agreement not having been terminated, it is expected that share certificates for all fully-paid Offer Shares shall be issued on Thursday, 25 July 2019.

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### Conditions precedent to the Public Offer

The obligations of the Underwriter under the Underwriting Agreement are conditional upon the conditions as set out in “Structure and Conditions of the Public Offer and the Preferential Offering – Conditions of the Public Offer” in this prospectus being fulfilled, or waived (if applicable).

### UNDERWRITING AGREEMENT

On 27 June 2019 (after trading hours), the Company entered into the Underwriting Agreement with the Underwriter, the Liquidators, Mr. Warren Lee and the Sponsor with the principal terms set out as follows:

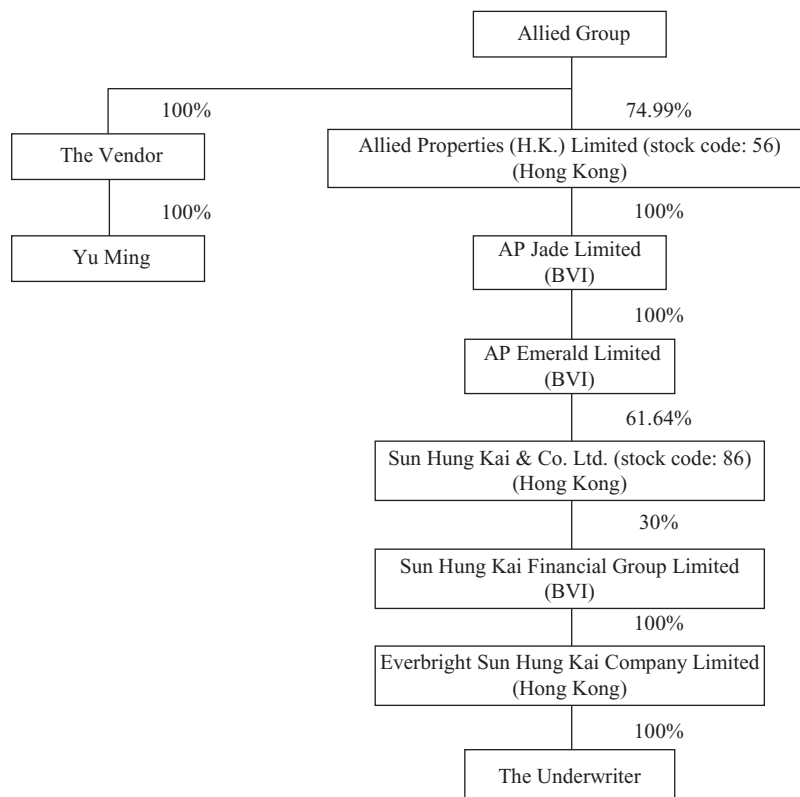
Date:	27 June 2019
Parties:	The Company  The Underwriter. Save and except that the Underwriter and its ultimate beneficial owner(s) are the associates of Allied Group, they are Independent Third Parties  The Liquidators  Mr. Warren Lee  The Sponsor
Number of Underwritten Shares:	The Underwriter has conditionally agreed to underwrite in full the 241,705,083 Offer Shares at the Offer Price
Underwriting commission:	2.0% of the aggregate Offer Price in respect of the Underwritten Shares

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Save and except that the Underwriter and its ultimate beneficial owner(s) are the associates of Allied Group, the Underwriter is an Independent Third Party. The Underwriter is held indirectly as to 30% by Sun Hung Kai & Co. Limited, a company owned as to approximately 61.64% by Allied Properties (H.K.) Limited, which in turn is owned as to approximately 74.99% by Allied Group. On the other hand, each of the Vendor and Yu Ming are wholly owned subsidiaries of Allied Group. Accordingly, the Underwriter is an associate of the Vendor and Yu Ming. Set out below is the corporate structure of the Underwriter:



The Underwriter has undertaken in favour of the Company under the Underwriting Agreement that in the event of the Underwriter being called upon to subscribe for or procure subscribers for the Underwritten Shares: (1) the Underwriter and its associates will not subscribe for the Underwritten Shares for their own accounts; (2) if the Underwriter sub-underwrites its underwriting obligations under the Underwriting Agreement to sub-underwriter(s), then each sub-underwriter will be a PO Independent Third Party and could take up the undersubscribed Underwritten Shares for their own accounts as long as they will not become Substantial Shareholders upon completion of the YM Subscription, the New Placing and the Public Offer; (3) the Underwriter shall on its own and procure its sub-underwriters to procure subscription by subscriber(s) who is/are a PO Independent Third Party(ies); and (4) the subscribers (together with any of their respective parties acting in concert or connected persons or associates) procured by it or the sub-underwriters will not be existing Shareholders and will not hold in aggregate 10% or more of the voting rights of the Company immediately upon completion of the YM Subscription, the New Placing and the Public Offer.

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Further details of the Underwriting Agreement are set out in the section headed “Underwriting – Underwriting Arrangements and Expenses” in this prospectus.

### **Termination of the Underwriting Agreement**

The Underwriter shall be entitled in its absolute discretion, by notice in writing to the Company to terminate the Underwriting Agreement with immediate effect if, at any time prior to 4:00 p.m. (Hong Kong time) on the date of announcement of the results of the Public Offer and the Preferential Offering there occurs events as detailed in the section headed “Underwriting – Underwriting Arrangements and Expenses – Termination of the Underwriting Agreement” in this prospectus. In such event, the obligations of all parties under the Underwriting Agreement shall terminate forthwith and no party shall have any claim against any other party for costs, damages, compensation or otherwise save that the Company shall reimburse the Underwriter for the expenses reasonably incurred by the Underwriter in accordance with the terms of the Underwriting Agreement and for any antecedent breaches under the Underwriting Agreement.

### **Arrangement on odd lot trading**

In order to facilitate the trading of odd lots of the New Shares arising from the Change in Board Lot Size, the Capital Reorganisation and the Public Offer, the Company has appointed Sun Hung Kai Investment Services Limited to provide matching service, on a best efforts basis, to those Shareholders who wish to top-up or sell their shareholdings of odd lots of the New Shares during the period between 9:00 a.m. on the date of the Resumption, which is expected to be on Friday, 26 July 2019, until 4:00 p.m. on Friday, 16 August 2019 (both days inclusive). Shareholders who wish to take advantage of this facility should contact Mr. Law Shun Hang at 28/F Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong, at telephone number (852) 3920 2782 during office hours of such period. Holders of the New Shares in odd lots should note that the matching of the sale and purchase of odd lots of the New Shares is on a best effort basis and successful matching of the sale and purchase of odd lots of the New Shares is not guaranteed. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

### **Reasons for the Subscriptions, the New Placing and the Public Offer**

The gross proceeds and net proceeds from the Public Offer are estimated to be approximately HK\$125.7 million and approximately HK\$123.2 million respectively. The Company intends to utilise the net proceeds from the Public Offer (i) as to approximately HK\$68.0 million for the settlement of the Acquisition Consideration; (ii) as to HK\$46 million for the repayment of the Cash Advance; (iii) as to approximately HK\$4.3 million for settlement of professional fees relating to the Resumption; and (iv) the balance of approximately HK\$4.9 million shall be retained as general working capital of the Enlarged Group.

Under the original structure of the Proposed Restructuring, it was intended that the Company would carry out the Former Placing and the Open Offer to fulfill the funding requirement of the Enlarged Group and to facilitate the transactions under the Resumption

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## LETTER FROM THE LIQUIDATORS

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Proposal. In order to further enlarge the Public Shareholders base and to fortify Mr. Warren Lee and the Yu Ming Team's commitment to the continuing business development of the Enlarged Group, the structure of the Proposed Restructuring was modified such that upon completion of the Proposed Restructuring, (i) the interest of Ms. Chong in the Company would be approximately 45% (rather than 75% under the Former Placing) of the issued share capital of the Company; (ii) Mr. Warren Lee and the Yu Ming Team would be in aggregate interested in approximately 25% of the issued share capital of the Company; and (iii) the shareholder base of the Enlarged Group would be enlarged by new Public Shareholders through the Public Offer while the interests of the Existing Shareholders would remain unchanged as compared to the original structure of the Proposed Restructuring and their entitlement under the Open Offer were safeguarded through the Preferential Offering under the revised structure of the Proposed Restructuring. As fall back for the lapse of Ms. Chong's Subscription Agreement, the Company entered into the New Placing Agreement with the Placing Agent for the placing of the 512,698,586 Subscription Shares not subscribed by Ms. Chong to Independent Placees to fulfill the funding requirements under the Proposed Restructuring. On 14 June 2019, the Company and Ms. Chong entered into a deed of termination to terminate the Ms. Chong's Subscription Agreement so as to expedite the completion of the transactions contemplated under the Proposed Restructuring. With the termination of the Ms. Chong Subscription Agreement, the Proposed Restructuring will be carried on with the New Placing. Upon completion of the Proposed Restructuring, more than 25% of the issued share capital of the Company will be held by Public Shareholders.

In determining the fairness and reasonableness of the current subscription ratio, the Offer Price, the Subscription Price and the New Placing Price, the Liquidators had taken into account the funding requirement of the Enlarged Group as well as the need to set the Offer Price, which is equivalent to the Subscription Price and the New Placing Price, at a level acceptable to the Underwriter, the Subscribers and the Qualifying Shareholders. In view of the net deficit financial position which amounted to approximately HK\$951.0 million as at 31 December 2018 and the liquidation status of the Group as well as the Shares being in prolonged suspension, the closing price of the Shares on the Last Trading Day does not reasonably reflect the existing condition of the Company and the financial position of the Company could be considered as an exceptional circumstances under Rule 7.27B. Accordingly, the Liquidators consider it fair and reasonable for the Offer Price, the Subscription Price and the New Placing Price to be set at a relatively deep discount to the historical trading prices of the Shares and the YM Subscription, the New Placing and the Public Offer carry a relatively significant theoretical dilution effect of approximately 71.8%.

Although the interests of the relevant Shareholders will be diluted as set out in the paragraph headed "Changes in Shareholding Structure" below in the scenario if the relevant Qualifying Shareholders do not take up their Assured Entitlement in the Public Offer, the Liquidators consider that the YM Subscription, the New Placing and the Public Offer will broaden the capital base and shareholder base and strengthen the financial position of the Company so as to facilitate the Enlarged Group's long term development. The Liquidators are of the view that it is in the interest of the Company to raise additional capital by way of the Public Offer, which provided the Qualifying Shareholders opportunity under the Preferential Offering to participate in the future development of the Enlarged Group upon completion of all the transactions under the Proposed Restructuring at their own wish as well as increasing the Public Shareholder base of the Company.

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## LETTER FROM THE LIQUIDATORS

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The Liquidators consider that the YM Subscription, the New Placing and the Public Offer, including the Preferential Offering, are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

### **Fund raising alternative available to the Group**

Having considered the net deficit financial position and the liquidation status of the Group as well as the Shares being in prolonged suspension, there were very limited fund raising alternatives available to the Group. In particular, the Group could not obtain any bank facilities or borrowings under the existing position and rights issue cannot be carried out when Shares are in prolonged suspension. In addition, even if the liquidity of the Group could be improved by alternative fund raising method, the Acquisition is necessary for the Group to satisfy the sufficient operation requirement under Rule 13.24 of the Listing Rules as a condition for Resumption. On the other hand, the YM Subscription, the New Placing and the Public Offer forms part of the Proposed Restructuring that can fulfill the conditions of Resumption with distribution to Creditors, which also represented the best offer received by the Liquidators since their appointment in August 2015. Save for the Former Placing, the Open Offer and the Ms. Chong's Subscription which were terminated and replaced due to reasons as detailed in the paragraph headed "Reasons for the Subscriptions, the New Placing and the Public Offer" above, the Liquidators did not seek for fund raising alternative for the Group and consider the YM Subscription, the New Placing and the Public Offer are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST TWELVE MONTHS**

Save for entering into of the Ms. Chong's Subscription Agreement, the YM Subscription Agreement, the New Placing Agreement and the Underwriting Agreement, the Company has not conducted any equity fund raising activities involving issue of securities in the past twelve months before the Latest Practicable Date.

### **PROPOSED CHANGE OF FINANCIAL YEAR END DATE**

Upon Acquisition Completion and Resumption (which is currently expected to take place on 25 July 2019 and 26 July 2019 respectively), the financial results of Yu Ming will be consolidated into the Company and the operations of the Enlarged Group will be mainly carried through Yu Ming.

Currently the financial year end date of the Company and Yu Ming is 30 June and 31 December respectively. After Resumption but before 31 December 2019, the Company will propose to change its financial year end date to 31 December to align with that of Yu Ming in order to streamline the preparation of the consolidated financial statements of the Enlarged Group (the "Change").

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## LETTER FROM THE LIQUIDATORS

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Following the Change, the Company will announce and publish its financial results with respect to the following financial periods on or before the following relevant deadlines:

	<b>Period covered</b>	<b>Deadline for results announcement</b>	<b>Deadline for despatch of financial reports</b>
Annual results reporting	12-month period ending 30 June 2019	30 September 2019	31 October 2019
Annual results reporting	6-month period ending 31 December 2019	31 March 2020	30 April 2020

The annual results for a shorter period of 6 months ending 31 December 2019 instead of 12 months ending 31 December 2019 as a result of the Change is permitted under the Hong Kong Financial Reporting Standards. Such shorter reporting period for annual results is also in line with market practice for change in year-end date.

Further announcement will be made by the Company in respect of the Change as and when appropriate after Resumption but before 31 December 2019.

### CHANGES IN SHAREHOLDING STRUCTURE

The Company has entered into the New Placing Agreement with the Placing Agent for the placing of the 512,698,586 Subscription Shares not subscribed by Ms. Chong to Independent Placees 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. For illustrative purposes only, set out below are the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after completion of the Capital Reorganisation; (iii) immediately after completion of the Capital Reorganisation, the YM Subscription and the New Placing; and (iv) immediately after completion of the Capital Reorganisation, the YM Subscription, the New Placing and the Public Offer, assuming that (a) none of the Qualifying Shareholders take up their Assured Entitlement under the Preferential Offering (“**Scenario I**”); and (b) all of the Qualifying Shareholders take up their Assured Entitlement under the Preferential Offering in full (“**Scenario II**”):



## LETTER FROM THE LIQUIDATORS

Shareholders	As at the Latest Practicable Date		Immediately after completion of the Capital Reorganisation		Immediately after completion of the Capital Reorganisation, the YM Subscription and the New Placing		Immediately after completion of the Capital Reorganisation, the YM Subscription, the New Placing and the Public Offer			
	Shares	%	New Shares	%	New Shares	%	Scenario I		Scenario II	
							New Shares	%	New Shares	%
<b>Public Shareholders</b>										
Public Shareholders under the Public Offer	-	-	-	-	-	-	241,705,083	21.3	91,440,303	8.1
Independent Placees	-	-	-	-	512,698,586	57.1	512,698,586	45.0	512,698,586	45.0
Existing Public Shareholders	<u>771,765,216</u>	<u>77.0</u>	<u>77,176,521</u>	<u>77.0</u>	<u>77,176,521</u>	<u>8.6</u>	<u>77,176,521</u>	<u>6.8</u>	<u>192,941,301</u>	<u>17.0</u>
Sub-total	771,765,216	77.0	77,176,521	77.0	589,875,107	65.7	831,580,190	73.1	797,080,190	70.1
Mr. Warren Lee	-	-	-	-	227,250,000	25.3	227,250,000	19.9	227,250,000	19.9
Mr. Lam Chi Shing	-	-	-	-	17,800,000	2.0	17,800,000	1.6	17,800,000	1.6
Ms. Li Ming	-	-	-	-	17,800,000	2.0	17,800,000	1.6	17,800,000	1.6
Yu Ming Team (other than Mr. Lam Chi Shing and Ms. Li Ming) (Note 2)	-	-	-	-	21,900,000	2.4	21,900,000	1.9	21,900,000	1.9
Perfect Gate Holdings Limited (Note 3)	<u>230,000,000</u>	<u>23.0</u>	<u>23,000,000</u>	<u>23.0</u>	<u>23,000,000</u>	<u>2.6</u>	<u>23,000,000</u>	<u>2.0</u>	<u>57,500,000</u>	<u>5.0</u>
<b>Total</b>	<b><u>1,001,765,216</u></b>	<b><u>100</u></b>	<b><u>100,176,521</u></b>	<b><u>100</u></b>	<b><u>897,625,107</u></b>	<b><u>100</u></b>	<b><u>1,139,330,190</u></b>	<b><u>100</u></b>	<b><u>1,139,330,190</u></b>	<b><u>100</u></b>

*Notes:*

- The completion of the YM Subscription and the New Placing will take place after the Record Date. Therefore, each of the Subscribers and the Independent Placees shall not be Qualifying Shareholders and will not be entitled to Assured Entitlement under the Preferential Offering.
- Each member of Yu Ming Team (other than Mr. Warren Lee, Mr. Lam Chi Shing and Ms. Li Ming) shall be regarded as Public Shareholders upon completion of the YM Subscription and the Public Offer.
- 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 YM Subscription, 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 Latest Practicable Date, the Liquidators had not receive 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. Upon completion of the YM Subscription, the New Placing and the Public Offer, Perfect Gate shall be regarded as a Public Shareholder.

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## LETTER FROM THE LIQUIDATORS

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Mr. Warren Lee and the Yu Ming Team and parties acting in concert with any of them are independent to and not acting in concert with each other and do not have any relationship with each of Perfect Gate and Yu Sau Lai. The Liquidators and each of the parties to the Acquisition Agreement, the YM Subscription Agreement, the New Placing Agreement and the Underwriting Agreement further confirms that neither Perfect Gate nor Yu Sau Lai is involved or interested in any of the respective agreements.

As illustrated in the tables above, immediately after completion of the YM Subscription, the New Placing and the Public Offer, the shareholding interest of the existing Public Shareholders will be diluted from approximately 77.0% as at the Latest Practicable Date to (i) approximately 6.8% under Scenario I; and (ii) approximately 17.0% under Scenario II. The possible maximum dilution to the shareholdings of the existing Qualifying Shareholders if they elect not to subscribe for the Reserved Shares under the Preferential Offering will be approximately 91.2%. Nonetheless, in considering (i) the Company is placed into the third delisting stage and Resumption will only happen if the Proposed Restructuring is implemented; (ii) the YM Subscription, the New Placing and the Public Offer form part of the Proposed Restructuring and the implementation of which are necessary for the Resumption; and (iii) the Preferential Offering allows the Qualifying Shareholders to continue to participate in the future development of the Enlarged Group upon completion of all the transactions contemplated under the Proposed Restructuring at their own wish, the Liquidators consider the possible dilution impact to the Shareholders as a result of the YM Subscription, the New Placing and the Public Offer to be acceptable.

In order to demonstrate sufficient public interest of the Enlarged Group upon Resumption, there shall be at least 300 Accepted Offer Applications in respect of the Public Offer from members of the public in Hong Kong (for the avoidance of doubt, including the Independent Places and the subscribers procured by the Underwriter or its sub-underwriters, but excluding the Qualifying Shareholders).

### **TAXATION**

Shareholders are advised to consult their professional advisers if they are in any doubt as to the taxation implications of the receipt, purchase, holding, exercising, disposing of or dealing in, the Offer Shares and/or the Reserved Shares.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the Public Offer will increase the issued share capital of the Company by more than 50%, the Public Offer is subject to the approval by the Independent Shareholders at the EGM by way of poll. As the YM Subscription, the New Placing, the Public Offer and the Acquisition forms part of the transactions under the Proposed Restructuring and are inter-conditional, the Creditors and their associates and parties acting in concert with any of them who are Shareholders had abstained from voting in the EGM in respect of the transactions contemplated under the Proposed Restructuring which includes the Creditors' Scheme, the YM Subscription, the New Placing, the Public Offer and the Acquisition. Relevant resolutions approving the Public Offer (including the Preferential Offering) were duly passed at the EGM on 22 May 2019 following the Chairman's Decision.

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## LETTER FROM THE LIQUIDATORS

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### WARNING OF THE RISKS OF DEALING IN THE NEW SHARES

The Public Offer (including the Preferential Offering) is conditional upon the fulfilment of the conditions set out under the paragraph headed “Structure and Conditions of the Public Offer and Preferential Offering – Conditions to the Public Offer” in this prospectus. The Public Offer (including the Preferential Offering) is also subject to the Underwriter not terminating the Underwriting Agreement in accordance with the terms thereof. Certain specific scenarios where the Company will withdraw the Public Offer are also set out in the section headed “Specific Risk Associated with the Proposed Restructuring” in this prospectus. Accordingly, the Public Offer (including the Preferential Offering) may or may not proceed.

Any dealings in the Shares and/or the New Shares from the date of this prospectus up to the date on which all the conditions of the Public Offer are fulfilled will accordingly bear the risk that the Public Offer (including the Preferential Offering) may or may not become unconditional or may not proceed. Any Shareholders or other persons contemplating any dealings in the Shares and/or the New Shares are recommended to exercise caution when dealing in the Shares and/or the New Shares, and if they are in doubt about their position, they should consult their own professional advisers.

Qualifying Shareholders who do not subscribe for the Reserved Shares under the Preferential Offering should note that their shareholdings in the Company will be diluted.

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## LETTER FROM THE LIQUIDATORS

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### FURTHER INFORMATION

Your attention is drawn to other sections of and appendices to this prospectus, which contain further information on Yu Ming and the Company and other information required to be disclosed under the Listing Rules.

Yours sincerely,  
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*