

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 Cayman Islands with limited liability)

Stock Code : 1073

PUBLIC OFFER

Sole Sponsor



英皇融資有限公司
Emperor Capital Limited

Financial Adviser to the Company



**Lego Corporate
Finance Limited**
力高企業融資有限公司

Sole Underwriter



光大新鴻基
EVERBRIGHTSUNHUNGKAI



IMPORTANT

WARNING: Completion of the Public Offer is subject to uncertainties as more particularly 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. The Shareholders and the public investors should note that in the event that the Company announces its withdrawal of the Public Offer or the Proposed Restructuring (including the Public Offer) does not become unconditional, the application monies for the Offer Shares will be refunded without interest.

The application for the Offer Shares will commence on Friday, 28 June 2019 through Friday, 19 July 2019, being longer than normal market practice of 3.5 days. The application monies (including the brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on or before Thursday, 1 August 2019. Investors should be aware that the dealings in the New Shares on the Stock Exchange are expected to commence on Friday, 26 July 2019. Investors should carefully consider the risks involved in making an application for the Offer Shares.

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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

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PUBLIC OFFER

Number of Offer Shares under the : 241,705,083 New Shares (including
Public Offer 150,264,780 Reserved Shares under the
Preferential Offering) (subject to
reallocation)
Offer Price : HK\$0.52 per Offer Share, plus brokerage of
1%, SFC transaction levy of 0.0027% and
Stock Exchange trading fee of 0.005%
(payable in full on application in Hong
Kong dollars and subject to refund)
Nominal value : HK\$0.1 per New Share
Stock code : 1073

Sole Sponsor



英皇融資有限公司
Emperor Capital Limited

Financial Adviser to the Company



Sole Underwriter



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is HK\$0.52 per Offer Share. Applicants for Offer Shares are required to pay, on application, the Offer Price of HK\$0.52 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%.

Prior to making an investment decision, prospective investors should read the entire document carefully and, in particular, should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" and the section headed "Specific Risk Associated with the Proposed Restructuring" in this prospectus.

The Public Offer (including the Preferential Offering) is conditional upon the fulfilment of the conditions set out under the section headed "Structure and conditions of the Public Offer and Preferential Offering – Conditions of the Public Offer" in this prospectus. Pursuant to the provisions of the Underwriting Agreement, the Underwriter also has the right, in certain circumstances, to terminate the obligations of the Underwriter by notice in writing to the Company at any time on or before 4:00 p.m. (Hong Kong time) on the date of announcement of the results of the Public Offer and the Preferential Offering. Such events include, but without limitation to, acts of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, terrorism, strike or lockout involving Hong Kong, the PRC and any other jurisdiction. It is important that you refer to the section headed "Underwriting" in this prospectus for further details.

An announcement will be published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at <http://www.irasia.com/listco/hk/chinaagrotech/> if there is any change to the expected timetable.

* For identification purpose only

EXPECTED TIMETABLE⁽¹⁾

The expected timetable for the Public Offer and the Preferential Offering and the relevant trading arrangement is set out below:

2019

Despatch of BLUE Application Forms to Qualifying Shareholders	Friday, 28 June
Public Offer Prospectuses and WHITE and YELLOW Application Forms available to members of the public in Hong Kong	Friday, 28 June
Commencement of the Public Offer and the Preferential Offering	Friday, 28 June
Latest time to lodge the form of proxy for attending the Scheme Meeting	Wednesday, 3 July
Scheme Meeting	Friday, 5 July
Announcement of the results of the Scheme Meeting	Friday, 5 July
Grand Court hearing of petition to confirm the Capital Reduction	Friday, 5 July
Grand Court hearing for sanctioning the Creditors' Scheme	Monday, 8 July (Cayman Islands time)
High Court hearing for sanctioning the Creditors' Scheme	Tuesday, 9 July
Announcement of (1) the results of Grand Court and High Court hearings for sanctioning the Creditors' Scheme and (2) the expected effective date of the Creditors' Scheme	Tuesday, 9 July
Expected effective date of the Capital Reorganisation	Monday, 15 July
Expected effective date of Change in Board Lot Size from 2,000 Shares to 5,000 New Shares	9:00 a.m. on Monday, 15 July
First day of free exchange of existing share certificates (in green colour) for the Shares into new share certificates (in blue colour) for the New Shares	Monday, 15 July
Effective date of the Creditors' Scheme	on or before Monday, 15 July
Application lists open	11:45 a.m. on Friday, 19 July
Latest time to lodge the WHITE , YELLOW and BLUE Application Forms	12:00 noon on Friday, 19 July
Application lists closes	12:00 noon on Friday, 19 July

EXPECTED TIMETABLE⁽¹⁾

Announcement of results of the Public Offer and the Preferential Offering	Thursday, 25 July
If the Preferential Offering proceeds, despatch of refund cheques in respect of unsuccessful excess applications pursuant to the Preferential Offering	Thursday, 25 July
Results of allocations of the Public Offer and the Preferential Offering will be available at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment ; Chinese https://www.eipo.com.hk/zh-hk/Allotment) with a “search by ID Number/Passport Number/Business Registration Number” function from	Thursday, 25 July
Despatch/collection of the share certificates of the Offer Shares or deposit of share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Public Offer and the Preferential Offering	Thursday, 25 July
If the Public Offer (including the Preferential Offering) is terminated, refund cheques to be despatched	Thursday, 25 July
If the Public Offer proceeds, despatch of refund cheques in respect of partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Public Offer	Thursday, 25 July
Completion of the YM Subscription, the New Placing, the Public Offer (including the Preferential Offering) and the Acquisition and despatch of new share certificates for the YM Subscription Shares, the New Placing Shares and the Offer Shares	Thursday, 25 July
Announcement of completion of the YM Subscription, the New Placing, the Public Offer (including the Preferential Offering) and the Acquisition	Thursday, 25 July
Resumption and dealing in the New Shares commence	9:00 a.m. on Friday, 26 July
Odd lot matching arrangement commences	9:00 a.m. on Friday, 26 July
Odd lot matching arrangement ends	4:00 p.m. on Friday, 16 August
Last day of free exchange of existing share certificate (in green colour) for the new share certificates (in blue colour)	Monday, 19 August

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, 19 July 2019, the application lists will not open on that day. For further details, please refer to “How to Apply for Offer Shares and Reserved Shares – 7. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus. If the application lists do not open and close on Friday, 19 July 2019, the dates mentioned in this section headed “Expected Timetable” in this prospectus may be affected. An announcement will be made by the Company in such event.
- (3) The announcement will be available for viewing on “Main Board – Results of Allotment” page on the Stock Exchange’s website at www.hkexnews.hk.
- (4) Neither the Company’s website nor any of the information contained on the Company’s website forms part of this prospectus.
- (5) Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheques.
- (6) Applicants who have applied on **WHITE** or **BLUE** Application Forms for 1,000,000 or more Offer Shares and/or 1,000,000 or more Reserved Shares under the Public Offer and have provided all required information may collect any refund cheques and share certificates in person from the Hong Kong Branch Share Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong between 9:00 a.m. to 1:00 p.m. on Thursday, 25 July 2019 or such other date as the Company may announce. Applicants being individuals who are eligible for personal collection may not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Offer Shares under the Public Offer and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their share certificates as such share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants’ stock accounts as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Uncollected share certificates and/or refund cheques will be despatched by ordinary post, at the applicants’ own risk to the addresses specified in the relevant applications. For details, applicants should refer to “How to Apply for Offer Shares and Reserved Shares – 11. Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.

Share certificates for the Offer Shares will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on Friday, 26 July 2019 provided that (i) the Public Offer has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Termination of the Underwriting Agreement” in this prospectus has not been exercised and has lapsed. Investors who trade our Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Public Offer and the Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Offer Shares pursuant to the Public Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any securities in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for the purposes of a public offering and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorised any persons to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made nor contained in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sponsor, the Underwriter, any of our or their respective directors, officers, employees, agents, advisers, representatives or affiliates, or any other persons or parties involved in the Public Offer. The contents on the website at www.irasia.com/listco/hk/chinaagrotech and ymi.com.hk do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks are set out in the sections headed “Risk factors” and “Specific risk associated with the Proposed Restructuring” in this prospectus. You should read these sections carefully before you decide whether to invest in the Offer Shares.

BACKGROUND

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 constituted 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.

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.

SUMMARY

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, 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. On 4 June 2019, at a hearing (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 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.

The Company will announce its withdrawal of the Public Offer if, (1) the Grand Court not granting any of the orders sought by the Company under Event A; (2) the Grand Court granting the orders sought by the Company under Event A and the Appeal Deadline is on or before 24 July 2019, the Dissenting Shareholder applies for leave to appeal the said orders or order for suspension of execution by the Appeal Deadline; OR (3) the Grand Court granting the orders sought by the Company under Event A and the Appeal Deadline is beyond 24 July 2019, the Company does not receive an irrevocable undertaking from the Dissenting Shareholder by 24 July 2019 to the satisfaction of SFC and the Stock Exchange.

SUMMARY

Where the Public Offer is withdrawn in any of the events listed above, refund cheques in respect of the Public Offer will be despatched to the applicants within five Business Days from the date of the announcement. The Shareholders and public investors should note that in the event that the Company announces its withdrawal of the Public Offer in the scenarios above or the Proposed Restructuring (including the Public Offer) does not become unconditional, the application monies for the Offer Shares will be refunded without interest. Please refer to the section headed “Specific Risk Associated with the Proposed Restructuring” in this prospectus for further details.

The application for Offer Shares will commence on Friday, 28 June 2019 through Friday, 19 July 2019, being longer than normal market practice of 3.5 days. The application monies (including the brokerage, SFC transaction levy and Stock Exchange trading fee) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on or before Thursday, 1 August 2019. Investors should be aware that the dealings in the New Shares on the Stock Exchange are expected to commence on Friday, 26 July 2019. Given the Proposed Restructuring containing fund raising by way of public offer is not common in Hong Kong, the Company is of the view that such longer offer period is appropriate as it could provide ample time to the Shareholders and the public investors to consider making application for the Offer Shares.

The Public Offer (including the Preferential Offering) commences on 28 June 2019, if you make the application for the Offer Shares, set out below is a summary for the expected dates of refund if any of the above events trigger the withdrawal of the Public Offer occurs:

Event	Estimated date of events (Cayman Islands time)	Expected announcement date	Expected date of refund	Maximum number of Business Days from the commencement of the Public Offer to the expected date of refund
(1) the Grand Court not granting any of the orders sought by the Company under Event A	5 July 2019	9 July 2019, assuming receipt of court judgment	By 16 July 2019	12
(2) the Grand Court granting the orders sought by the Company under Event A and the Appeal Deadline is on or before 24 July 2019, the Dissenting Shareholder applies for leave to appeal the said orders or order for suspension of execution by the Appeal Deadline	By 24 July 2019	As soon as practicable following the date of this event, assuming to be 25 July 2019	By 1 August 2019	24
(3) the Grand Court granting the orders sought by the Company under Event A and the Appeal Deadline is beyond 24 July 2019, the Company does not receive an irrevocable undertaking from the Dissenting Shareholder by 24 July 2019 to the satisfaction of SFC and the Stock Exchange	24 July 2019	25 July 2019	By 1 August 2019	24

SUMMARY

Other than the above, if the Public Offer is not withdrawn under situations specified under section headed “Specific Risk Associated with the Proposed Restructuring” in this prospectus, in the event that:

- (A) the Public Offer is terminated, refund shall take place on 25 July 2019, which will be 19 Business Days after the commencement of the Public Offer;
- (B) the Public Offer is not terminated, the Resumption and dealing in the New Shares will commence on 26 July 2019, which will be 20 Business Days after the commencement of the Public Offer.

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.

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.

BUSINESS OF YU MING

Yu Ming is a financial services provider engaged in the provisions of corporate advisory services and asset management services.

Corporate Finance Advisory

During the Track Record Period, the corporate finance advisory services provided by Yu Ming mainly included:

- (i) acting as financial adviser to advise listed issuers, shareholders and investors of listed issuers and entities on specific transactions in respect of the Listing Rules, the GEM Listing Rules and/or the Takeovers Code;
- (ii) acting as independent financial adviser to listed issuers to provide independent advice required under the Listing Rules, the Takeovers Code or other specific circumstances; and
- (iii) acting as financial adviser to listed issuers on retainer basis to advise listed issuers on corporate strategies and compliance with the Listing Rules, the GEM Listing Rules and Takeovers Code.

For each of the three years ended 31 December 2018, revenue generated by Yu Ming’s corporate finance advisory services amounted to approximately HK\$41.2 million, HK\$51.4 million and HK\$40.8 million, representing approximately 68.7%, 69.9% and 68.4% of Yu Ming’s total revenue, respectively.

SUMMARY

Asset Management

During the Track Record Period, Yu Ming provided asset management services solely to SHK.

For each of the three years ended 31 December 2018, revenue generated by Yu Ming's asset management services amounted to approximately HK\$17.4 million, HK\$21.2 million and HK\$17.8 million, representing approximately 29.0%, 28.8% and 29.9% of Yu Ming's total revenue, respectively.

The following table sets out the breakdown of the revenue generated from corporate finance business and asset management of Yu Ming during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
	<i>(audited)</i>		<i>(audited)</i>		<i>(audited)</i>	
Corporate Finance						
Advisory	41,232	68.7	51,394	69.9	40,754	68.4
Asset Management	17,424	29.0	21,204	28.8	17,824	29.9
Others ^{Note}	<u>1,392</u>	<u>2.3</u>	<u>917</u>	<u>1.3</u>	<u>999</u>	<u>1.7</u>
Total	<u>60,048</u>	<u>100.0</u>	<u>73,515</u>	<u>100.0</u>	<u>59,577</u>	<u>100.0</u>

Note: Others comprise disbursement reimbursement of 40% of expenses incurred by Yu Ming on office utilities, rents and miscellaneous administrative expenses from SHK under the Management Agreement, details of which are set out in the section headed "Business of Yu Ming – Asset Management" in this prospectus.

Proprietary Trading

During the Track Record Period, Yu Ming has also engaged in proprietary trading of equity securities and fixed income products, selecting investment targets based on Yu Ming's own risks profile and investment cycle.

For the three years ended 31 December 2018, net financial income generated by Yu Ming's proprietary trading amounted to approximately HK\$7.1 million, HK\$8.4 million and HK\$3.2 million respectively.

Financial assets of Yu Ming's proprietary trading amounted to approximately HK\$103.2 million, HK\$26.1 million and HK\$16.6 million as at 31 December 2016, 2017 and 2018 respectively.

As advised by the Proposed Directors, Yu Ming does not intend to actively engage in proprietary trading after Acquisition Completion.

SUMMARY

COMPETITIVE STRENGTH OF YU MING

The Proposed Directors believe that the historical performance and future prospects of Yu Ming are underpinned by a combination of competitive strengths, including: (i) well-established business; (ii) experienced team of professionals; (iii) close and stable relationships with clients; (iv) well-structured professional services; (v) efficient management structure; and (vi) focused services.

BUSINESS STRATEGIES OF YU MING

Yu Ming is adopting the following strategies to build on the competitive strengths described above: (i) strengthening Yu Ming's corporate finance teams to maintain high quality corporate finance advisory services to its clients; (ii) expansion of advisory work in relation to resumption of trading of securities of listed issuers on the Stock Exchange; and (iii) focus on performance under the New Management Agreement.

CLIENTS OF YU MING

Corporate Finance Advisory Clients

Yu Ming had acted for over 60 clients during the Track Record Period. Corporate finance advisory clients are mainly companies listed on the Stock Exchange and shareholders and investors of companies listed on the Stock Exchange.

Repeating business from clients and referrals by clients and professional parties have contributed to the client base of the corporate finance advisory business of Yu Ming. Yu Ming's top five largest clients of this business segment for each of the financial years ended 31 December 2016, 2017 and 2018 in aggregate contributed approximately 42.1%, 34.9% and 35.6% respectively of Yu Ming's total revenue and approximately 61.3%, 50.0% and 52.0% respectively of Yu Ming's revenue from its corporate finance advisory business. The largest client of Yu Ming under this business segment for each of the financial years ended 31 December 2016, 2017 and 2018 accounted for approximately 10.0%, 8.2% and 9.2% respectively of Yu Ming's total revenue and approximately 14.6%, 11.7% and 13.5% respectively of Yu Ming's revenue from its corporate finance advisory business. Due to the "one-off" nature of many corporate finance transactions, Yu Ming's largest client's contribution to revenue will tend to vary from year to year.

Asset Management Client

From the commencement of its business and during the Track Record Period, SHK has been the sole client of Yu Ming for its asset management services. Yu Ming has been appointed by SHK as its investment manager on an exclusive basis since 5 March 1997. The appointment was normally for a term of 3 years and has been renewed every 3 years.

For further details of the clients of Yu Ming, please refer to the section headed "Business of Yu Ming – Clients" in this prospectus.

SUMMARY

FUTURE PLANS OF YU MING

The Proposed Directors believe that the Hong Kong equity market will continue to grow as the number of listed companies in Hong Kong rose steadily during the Track Record Period and more business opportunities are expected to emerge in the financial advisory services industry in the long run. The Enlarged Group will seek to capitalise on the potential growth of the equity market and continue to participate in the financial advisory industry as an active advisory services provider in Hong Kong by continuing to provide services of the highest standards.

RISK FACTORS

There are certain risks involved in the business and operations of the Enlarged Group and in connection with the Acquisition. The risks can be categorised into: (i) risks relating to the Acquisition, the Public Offer, the Subscriptions and the New Placing; (ii) risks relating to the business and operations of Yu Ming; (iii) risks relating to the industry in which Yu Ming operates; (iv) risks relating to macroeconomics and political conditions; and (v) risks associated with accuracy of third party data.

These risk factors are further described in the section headed “Risk Factors” in this prospectus. Set forth below are some of the major risks that may materially and adversely affect Yu Ming: (i) the revenue of Yu Ming’s corporate financial advisory service is on a project-by-project basis and non-recurring in nature; (ii) Yu Ming derived a significant portion of its revenue from its asset management services under which it only has one client; (iii) delay in or termination of transactions may have an adverse impact on Yu Ming’s financial performance; (iv) Yu Ming derived a significant portion of its revenue under its corporate finance advisory services from some major clients; (v) revenue derived from commission based services may be uncertain; (vi) Yu Ming is reliant on key management personnel to conduct business and failure to retain them or to attract suitable replacements would have an adverse impact on operations; (vii) potential employee misconduct could damage Yu Ming’s reputation, financial position and business relationships with clients; and (viii) potential exposure to professional liability and litigation.

SUMMARY OF FINANCIAL INFORMATION OF YU MING

The following is a summary of Yu Ming’s financial information during the Track Record Period as derived from the accountants’ report on Yu Ming, the full text of which is set out in Appendix I to this prospectus. This summary should be read in conjunction with the aforesaid accountants’ report and the section headed “Financial Information of Yu Ming” of this prospectus.

SUMMARY

Highlights of statement of profit or loss and other comprehensive income

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Revenue	60,048	73,515	59,577
Other net (loss)/income	(544)	886	521
Other net financial income	8,404	7,534	2,642
Expenses	<u>(27,088)</u>	<u>(32,677)</u>	<u>(20,117)</u>
Profit before income tax	40,820	49,258	42,623
Income tax expense	<u>(5,692)</u>	<u>(7,571)</u>	<u>(6,525)</u>
Profit for the year	<u><u>35,128</u></u>	<u><u>41,687</u></u>	<u><u>36,098</u></u>

For the year ended 31 December 2017, revenue of Yu Ming increased by approximately 22.4% to approximately HK\$73.5 million as compared with that of 2016. The increase in revenue for 2017 was mainly driven by an increase in the fee income of corporate finance business from approximately HK\$41.2 million for the year ended 31 December 2016 to approximately HK\$51.4 million for the year ended 31 December 2017. The increase in revenue from corporate finance business in 2017 compared with that of 2016 was mainly due to (i) increase in average recognized revenue per corporate finance advisory transaction as 5 specific financial advisory engagements with contract sum amounting to HK\$3,000,000 or above (“High Value Engagements”) were recognized as revenue in 2017 while only 3 High Value Engagements were recognized as revenue in 2016; and (ii) increase in retainer engagements from 11 in 2016 to 16 in 2017. This is also the principal driver for the increase in profit for the year ended 31 December 2017 by approximately 18.7% to approximately HK\$41.7 million as compared with that of 2016.

For the year ended 31 December 2018, revenue of Yu Ming decreased by approximately 19.0% to approximately HK\$59.6 million as compared with that of 2017. The decrease in revenue for 2018 was mainly caused by the decrease in the fee income of corporate finance business from approximately HK\$51.4 million for the year ended 31 December 2017 to approximately HK\$40.8 million for the year ended 31 December 2018. The decrease in revenue from corporate finance business in 2018 compared with that of 2017 was mainly due to a drop in average recognized revenue per corporate finance advisory transaction since (i) only 4 High Value Engagements were recognized as revenue in 2018 while 5 High Value Engagements were recognized as revenue in 2017; and (ii) 3 retainer engagements were terminated in 2018 due to the commercial reasons of clients and the new retainer engagements entered into have lower monthly fee than the terminated engagements, and one engagement letter was renewed in 2018 at a lower monthly fee, resulting in the lower total fee from retainer engagements despite the total number of retainer engagements remained at 16 as year 2017. The net profit decreased from approximately HK\$41.7 million for the year ended 31 December 2017 to approximately HK\$36.1 million for the year ended 31 December 2018 mainly as result of decrease in revenue from corporate finance business.

SUMMARY

Highlights of statement of financial position

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Total assets	260,159	296,335	111,750
Total liabilities	31,497	45,206	25,164
Net current assets	126,345	234,095	70,197
Net assets	228,662	251,129	86,586

The net assets of Yu Ming increased from approximately HK\$228.7 million as at 31 December 2016 to approximately HK\$251.1 million as at 31 December 2017 mainly due to increase in reserve as a result of net profit of approximately HK\$41.7 million was recorded in 2017, offsetting by the payment of cash dividend of HK\$20 million during the year.

The net assets of Yu Ming decreased from approximately HK\$251.1 million as at 31 December 2017 to approximately HK\$86.6 million as at 31 December 2018 mainly due to the net effect of payment of cash dividend of HK\$200 million and the net profit of approximately HK\$36.1 million recorded in 2018.

Highlights of statement of cash flows

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Operating profit before working capital changes	33,760	41,097	39,702
Net cash generated from operating activities	83,525	43,306	15,215
Net cash generated from investing activities	7,912	85,458	9,976
Net cash used in financing activities	–	(20,000)	(200,000)
Net increase/(decrease) in cash and cash equivalents	91,437	108,764	(174,809)
Cash and cash equivalents at the beginning of the year	57,545	148,982	257,746
Cash and cash equivalents at the end of the year	148,982	257,746	82,937

Yu Ming had cash and cash equivalents of approximately HK\$149.0 million, HK\$257.7 million and HK\$82.9 million as at 31 December 2016, 2017 and 2018 respectively. The increase in cash and cash equivalents for the year ended 31 December 2017 is mainly due to net cash generated from investing activities mainly resulting from proceeds from redemption of financial assets at fair value through other comprehensive income despite net cash used in financing activities as a result of payment of dividend. The decrease in cash and cash equivalents for the year ended 31 December 2018 is mainly due to the payment of dividend of HK\$200 million which offset the net cash generated from operating activities and investing activities. For details, please refer to the section headed “Financial Information of Yu Ming – Liquidity and Capital Resources” in this prospectus.

SUMMARY

Key financial ratios

	For the year ended/as at 31 December		
	2016	2017	2018
Net profit margin	58.5%	56.7%	60.6%
Return on equity	15.4%	16.6%	41.7%
Return on assets	13.5%	14.1%	32.3%
Current ratio	501.1%	617.8%	379.0%
Debtors' turnover days	45.7 days	49.0 days	57.1 days

Yu Ming's net profit margin was approximately 58.5%, 56.7% and 60.6% for the year ended 31 December 2016, 2017 and 2018 respectively. Net profit margin of approximately 56.7% for the year ended 31 December 2017 was similar to that of approximately 58.5% for the year ended 31 December 2016. Net profit margin increased from approximately 56.7% for the year ended 31 December 2017 to approximately 60.6% for the year ended 31 December 2018 mainly due to decrease in employee benefit expense, mainly attributable to decrease in discretionary bonuses in the year ended 31 December 2018.

Yu Ming's current ratio was approximately 501.1%, 617.8% and 379.0% as at 31 December 2016, 2017 and 2018 respectively. The current ratio as at 31 December 2017 increased to 617.8% from 501.1% as at 31 December 2016 mainly due to increase in current assets by approximately HK\$121.5 million resulting from reclassification of financial assets at fair value through other comprehensive income of approximately HK\$8.5 million from non-current assets to current assets and the proceeds from redemption of financial assets at fair value through other comprehensive income of approximately HK\$78.1 million which was classified as non-current assets in 2016. The current ratio as at 31 December 2018 decreased to 379.0% from 617.8% as at 31 December 2017 mainly due to the decrease in cash and cash equivalents of approximately HK\$174.8 million as a result of payment of dividend of HK\$200 million in 2018.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE OF YU MING

As at the Latest Practicable Date, there was no material change to the business model and operation of Yu Ming. Yu Ming continued to provide asset management service to SHK and corporate finance advisory service to its clients on both transaction basis and retainer basis.

The directors of Yu Ming confirm that there has been no material change in the financial or trading positions or outlook of Yu Ming since 31 December 2018 (being the date to which the latest audited financial statements of Yu Ming were made up as reported in "Appendix I-Accountants' Report on Yu Ming" of this prospectus) up to and including the Latest Practicable Date.

So far as the Proposed Directors are aware, there has been no material change in the general condition of the corporate finance advisory services and asset management services industry in which Yu Ming operates which has materially and adversely affected Yu Ming's results of operations or financial condition since 31 December 2018 and up to the date of this prospectus.

SUMMARY

After due and careful consideration, the Proposed Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial and trading position or prospects of Yu Ming since 31 December 2018, and there is no event since 31 December 2018 which would materially affect the information shown in Appendix I to this prospectus.

Subsequent to 31 December 2018 and up to 31 May 2019, Yu Ming handled 6 transactions as financial adviser, 2 transactions as independent financial adviser and acted as retainer financial adviser for 12 clients.

THE YM SUBSCRIPTION AND THE NEW PLACING

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.

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.

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.

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 are offered as Reserved Shares to the Qualifying Shareholders under the Preferential Offering and the remaining 91,440,303 Offer Shares are offered to the public at the Offer Price of HK\$0.52 per Offer Share. The 91,440,303 Offer Shares for initial offering to the public and the 150,264,780 Reserved Shares for offering to the Existing Shareholders represent 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.

SUMMARY

TOTAL EXPENSES

The aggregate fees, together with the Stock Exchange listing fee, the placing and underwriting commission in relation to the YM Subscription, the New Placing and the Public Offer, SFC transaction levy, legal and other professional fees and printing and other expenses relating to the transactions under the Proposed Restructuring are estimated to be approximately HK\$52.3 million in aggregate and are payable by the Company. Among the estimated total transaction expenses, approximately HK\$5.2 million attributable to the YM Subscription, the New Placing and the Public Offer will be accounted for as deduction from the Company's equity account. The rest of approximately HK\$47.1 million are expected to be charged to the Company's profit or loss, of which HK\$30.6 million has been recognised in the Company's profit or loss up to the Latest Practicable Date and the remaining estimated expenses will be charged to the Company's profit or loss thereafter. The substantial portion of the estimated total transaction expenses is non-recurring in nature.

DIVIDEND

In January 2017, May 2017 and September 2018, Yu Ming proposed, approved and paid dividends of HK\$10,000,000, HK\$10,000,000 and HK\$200,000,000 in cash to the Vendor respectively. Yu Ming will before Acquisition Completion declare and pay dividend in cash and in form of distribution in specie of the investment assets held by it to the Vendor to the extent that the net asset value of Yu Ming shall not be less than HK\$10 million. It is therefore expected that Yu Ming will distribute all its investment assets to the Vendor before Acquisition Completion. As at 31 December 2018, the fair value of the investment assets held by Yu Ming mainly consisted of (i) listed debt securities of HK\$16.3 million; and (ii) listed equity securities of HK\$0.4 million.

The above dividend payments of Yu Ming were funded by its operating cash flow.

The Proposed Directors may or may not recommend a payment of dividend in future after taking into account various relevant factors including but not limited to the financial condition, capital requirements and earnings of the Enlarged Group, and subject to the Articles. However, the Company will still have outstanding accumulated losses of approximately HK\$137,526,000 upon Resumption, and will not be able to declare dividends until, among other things, all outstanding accumulated losses have been eliminated.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The table below sets out selected unaudited pro forma financial information of the Enlarged Group as at 31 December 2018. For more details, please refer to the section headed "Unaudited pro forma financial information of the Enlarged Group" set out in Appendix III to this prospectus.

	<i>HK\$'000</i>
Unaudited pro forma consolidated net tangible liabilities of the Group	<u>(951,078)</u>

SUMMARY

	<i>HK\$</i>
Unaudited pro forma consolidated net tangible liabilities of the Group per share	<u>(0.95)</u>
	<i>HK\$'000</i>
Unaudited pro forma adjusted consolidated net assets of the Enlarged Group	409,921
Less: Intangible assets	<u>(406,666)</u>
Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group	<u>3,255</u>
	<i>HK\$</i>
Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share	<u>0.003</u>

FINANCIAL EFFECTS OF THE PROPOSED RESTRUCTURING

Immediately following Acquisition Completion, Yu Ming will become a wholly-owned subsidiary of the Company and the results of Yu Ming will be consolidated into the accounts of the Company. Assuming completion of the restructuring of the Company took place on 31 December 2018, the pro forma total assets and total liabilities of the Enlarged Group as at 31 December 2018 would have been approximately HK\$477,048,000 and HK\$67,127,000 respectively. Assuming completion of the restructuring of the Company took place on 1 July 2017, profit for the year ended 30 June 2018 of the Enlarged Group would be approximately HK\$840,860,000, which was primarily attributable to the gain on debt restructuring under the Creditors' Scheme. For details, please refer to the section headed "Unaudited pro forma financial information of the Enlarged Group" in Appendix III to this prospectus.

DEFINITIONS

In this prospectus, unless the context otherwise requires, capitalised terms used herein shall have the following meanings:

“Accepted Offer Applications”	applications for Offer Shares (excluding the Reserved Shares), either made on the application forms in the Public Offer and accepted by the Company or the placees successfully procured by the Underwriter to subscribe for the Offer Shares
“Acquisition”	the conditional acquisition of the Sale Shares by the Company pursuant to the terms and conditions under the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement entered into among the Vendor, the Company and the Liquidators dated 24 August 2016 as amended and supplemented by the Supplemental Acquisition Agreement, the Second Supplemental Acquisition Agreement, the Third Supplemental Acquisition Agreement and the Fourth Supplemental Acquisition Agreement pursuant to which the Vendor conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares
“Acquisition Completion”	completion of the Acquisition pursuant to the Acquisition Agreement
“Acquisition Consideration”	the total consideration of HK\$400 million payable by the Company to the Vendor for the Acquisition pursuant to the Acquisition Agreement
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Allied Group”	Allied Group Limited, a company incorporated in Hong Kong with limited liability on 15 December 1972, the shares of which are listed on the Main Board (stock code: 373)
“Appeal Deadline”	14 days from the date of the sealed order issued by the Grand Court under Event A, being the last day by which the Dissenting Shareholder may apply for leave to appeal the relevant court orders as described in the section headed “Specific Risk Associated with the Proposed Restructuring” in this prospectus
“Application Form(s)”	the WHITE Application Form(s), YELLOW Application Form(s) and BLUE Application Form(s) or where the context so requires, any of them to be used in connection with the Public Offer (other than the Preferential Offering) or the Preferential Offering (as applicable)

DEFINITIONS

“Articles” or “Articles of Association”	the amended and restated articles of association of the Company conditionally approved and adopted on 22 May 2019, and to take effect on the Resumption Date, a summary of which is contained in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Assured Entitlement”	the entitlement of the Qualifying Shareholders to apply for the Reserved Shares on an assured basis under the Preferential Offering determined on the basis of their respective shareholding in the Company on the Record Date
“BLUE Application Form(s)”	the application form(s) to be used by the Qualifying Shareholders to subscribe for the Reserved Shares pursuant to the Preferential Offering
“Business Day”	a day (excluding Saturday, Sunday and public holidays) on which commercial banks are open for business in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capital Reduction”	the reduction of the nominal value of each issued Share from HK\$0.1 to HK\$0.01 each by cancelling the paid-up capital to the extent of HK\$0.09 on each of the issued Shares as set out in resolution number one of the EGM Notice
“Capital Reorganisation”	the reorganisation of the share capital of the Company comprising the Capital Reduction, the Share Consolidation and the Increase in Authorised Share Capital, which is expected to become effective on 15 July 2019
“Cash Advance”	the cash advance made by the Vendor to the Company under the Supplemental Acquisition Agreement and the Third Supplemental Acquisition Agreement for the settlement of professional fees incurred by the Company
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

DEFINITIONS

“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman’s Decision”	the decision by the chairman of the EGM to dis-apply the votes cast by or on behalf of the Dissenting Shareholder against all resolutions proposed at the EGM pursuant to Article 77 of the Existing Articles
“Change in Board Lot Size”	the change in board lot size from 2,000 Shares to 5,000 New Shares with effect from the effective date of the Capital Reorganisation
“Change of Company Name”	the change of the English name of the Company from “China Agrotech Holdings Limited” to “Da Yu Financial Holdings Limited” and the adoption and registration of the Chinese name “大禹金融控股有限公司” as the dual foreign name of the Company
“Circular”	the circular of the Company dated 27 April 2019 in relation to, among other matters, the Proposed Restructuring
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Company”	China Agrotech Holdings Limited (In Liquidation) (to be renamed as Da Yu Financial Holdings Limited), a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board (stock code: 1073)
“Companies Law”	the Companies Law (Revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)
“Conditions”	the conditions precedent under the Acquisition Agreement, the Subscription Agreements (or the New Placing Agreement, as the case may be) and the Underwriting Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Creditors”	collectively the creditors of the Company who have a claim against the Company as at the date on which the Creditors’ Scheme becomes effective (for the avoidance of doubt, shall not include the Vendor in respect of the Cash Advance)
“Creditors’ Scheme”	the scheme of arrangement to be entered into between the Company and the Creditors, subject to the sanctioning thereof by the Grand Court and the High Court, which will be implemented in the Cayman Islands and Hong Kong
“Declaratory Summons”	a summons dated 12 June 2019 filed by the Company 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
“Deed of Non-Competition”	the deed of non-competition to be entered into by Mr. Warren Lee in favour of the Company (for itself and for the benefit of the members of the Enlarged Group) regarding certain non-competition undertakings, details of which are set out in the section headed “Relationship with the Substantial Shareholder upon Resumption – Non-Competition Undertakings” in this prospectus
“Director(s)”	director(s) of the Company
“Dissenting Shareholder”	the Shareholder which had casted votes against all resolutions proposed at the EGM, which the chairman of the EGM determined to be Perfect Gate Holdings Limited

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company held on 22 May 2019 to approve, among other matters, the Capital Reorganisation, the Subscriptions, the New Placing, the Public Offer, the Creditors’ Scheme, the Acquisition, the Whitewash Waiver, the Special Deal, the appointment of the Proposed Directors, the adoption of Share Option Scheme, the Change of Company Name and the adoption of the Memorandum and the Articles of Association
“EGM Notice”	the notice of the EGM dated 27 April 2019
“Encumbrance”	any interest or equity (including any retention of title, right to acquire, option or right of pre-emption) or any mortgage, charge, pledge, lien, claim or assignment or any other encumbrance, priority or security interest or arrangement of whatsoever nature
“Enlarged Group”	the Group immediately following Acquisition Completion and the Creditors’ Scheme becoming effective
“Event A”	has meaning ascribed to it under the key dates for the Resumption set out on page 70 of this prospectus
“Excluded Company(ies)”	all the existing subsidiaries which are directly or indirectly held by the Company as at the Latest Practicable Date
“Excluded Shareholder(s)”	the Overseas Shareholder(s) whom, based on the legal opinions provided by the relevant overseas legal adviser(s) to the Company, the Liquidators are of the opinion that it is necessary or expedient to exclude from the Preferential Offering on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in such places
“Executive”	the Executive Director of the Corporate Finance Division of the SFC from time to time or any delegate of the Executive Director
“Existing Articles”	the articles of association of the Company in effect as at the date of this prospectus
“Existing Shareholders”	Shareholders as at the Record Date
“First Six-Month Period”	the period from the date of this prospectus and ending on the date which is six months from the Resumption Date

DEFINITIONS

“Former Placing”	the proposed placing of 888,888,889 New Shares, which was replaced by the Subscriptions due to change of the structure of the Proposed Restructuring
“Fourth Supplemental Acquisition Agreement”	the fourth supplemental acquisition agreement dated 28 December 2018 entered into among the Vendor, the Company and the Liquidators in relation to the extension of the Long Stop Date and amendment of certain terms of the Acquisition Agreement
“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GEM”	GEM operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Grand Court”	the Grand Court of Cayman Islands
“Grantee”	any Participant who accepts an offer in accordance with the terms of the Share Option Scheme, or where the context so permits (in the case of any individual) any person who is entitled to any option in consequence of the death of the original Grantee (including without limitation his/her legal personal representative(s))
“Group”	the Company and its subsidiaries, before Acquisition Completion and the Creditors’ Scheme becoming effective
“Governmental Authority”	any public, regulatory or governmental agency or authority (including, without limitation, the Stock Exchange and the SFC), other authority and any court at the national, provincial, municipal or local level
“High Court”	the High Court of Hong Kong

DEFINITIONS

“High Watermark”	in respect of each of the Management Agreement and the New Management Agreement, (a) if a performance fee has been paid during the management period or in accordance with the previous management agreement, the audited consolidated NAV (incorporating any adjustment made for excluding effect of new issue of securities of SHK and/or distribution to shareholders of SHK) of SHK Group as at 31 December of the latest financial year in which Yu Ming was entitled to a performance fee; or (b) if no performance fee has been paid during the term of that management agreement or in accordance with the preceding management agreement, the consolidated NAV of SHK Group on the renewal date of (as the case may be) the Management Agreement or the New Management Agreement
“HKFRS”	Hong Kong Financial Reporting Standards
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Hong Kong Registrars Limited, the Hong Kong branch share registrar and transfer office of the Company
“Hua Yu”	Hua Yu Investment Management Limited, a company incorporated in Hong Kong with limited liability on 29 July 1998 and was a subsidiary of Yu Ming until Yu Ming disposed of its interest therein on 5 May 2015
“Increase in Authorised Share Capital”	the increase in the authorised share capital of the Company from HK\$300,000,000 to HK\$1,000,000,000 immediately after the Capital Reduction and Share Consolidation having become effective, as set out in resolution number one of the EGM Notice
“Independent Placees”	the placees who and whose ultimate beneficial owners are Independent Third Parties and independent of the Vendor and its connected persons to be procured by the Placing Agent and/or the Underwriter under the New Placing and the Public Offer respectively

DEFINITIONS

“Independent Shareholders”	Shareholders, other than (i) the Vendor, its close associates and parties acting in concert with it; (ii) the Creditors, their close associates and parties acting in concert with any one of them, (iii) Ms. Chong, her close associates and parties acting in concert with her; (iv) the Underwriter, its close associates and parties acting in concert with it; (v) Mr. Warren Lee, his close associates and parties acting in concert with him; (vi) the Yu Ming Team, their close associates and parties acting in concert with them; (vii) those who are involved in or interested in the Acquisition Agreement, the Subscription Agreements, the New Placing Agreement, the Underwriting Agreement, the Whitewash Waiver and/or the Special Deal; and (viii) those who were required to abstain from voting under the Takeovers Code and/or the Listing Rules in the EGM
“Independent Third Parties”	third party(ies) independent of the Company and its connected persons as defined under the Listing Rules
“IPO(s)”	initial public offering(s)
“JFIU”	Joint Financial Intelligence Unit
“Last Trading Day”	18 September 2014, the last trading date of the Shares before the Suspension
“Latest Practicable Date”	20 June 2019, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Licensed Representative”	an individual who is granted a licence under section 120(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited
“Liquidators”	Messrs. Stephen Liu Yiu Keung and David Yen Ching Wai, the joint and several liquidators of the Company as ordered by the High Court on 17 August 2015
“Listing Department”	the listing department of the Stock Exchange
“Listing Committee”	the listing sub-committee of the directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Long Stop Date”	30 September 2019 or such later date as the parties to the Acquisition Agreement may agree
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM
“Management Agreement”	the investment management agreement dated 20 November 2015 entered into between Yu Ming and SHK relating to the extension of provision of asset management services by Yu Ming to SHK for the period from 1 January 2016 to 31 December 2018
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of the Company conditionally approved and adopted on 22 May 2019, and to take effect on the Resumption Date, a summary of which is contained in Appendix IV to this prospectus
“Mr. Li”	Mr. Li Chi Kong, a director of Yu Ming and a Proposed Director
“Mr. Warren Lee”	Mr. Lee Wa Lun, Warren, the managing director of Yu Ming and a Proposed Director, also a subscriber under the YM Subscription
“Ms. Chong”	Ms. Chong Sok Un, M.H., the subscriber under the Ms. Chong’s Subscription Agreement
“Ms. Chong’s Subscription”	the subscription of 512,698,586 Subscription Shares by Ms. Chong pursuant to the Ms. Chong’s Subscription Agreement
“Ms. Chong’s Subscription Agreement”	the conditional share subscription agreement dated 28 December 2018 entered into between the Company and Ms. Chong in relation to the Ms. Chong’s Subscription, which was terminated pursuant to the deed of termination dated 14 June 2019
“NAV”	net asset value
“New Listing Application”	the new listing application submitted by the Company on 28 April 2017 to the Stock Exchange and renewed on 6 November 2017, 11 October 2018 and 11 April 2019 relating to the Acquisition pursuant to the requirements and procedures set out in Chapters 8 and 9 of the Listing Rules

DEFINITIONS

“New Management Agreement”	the investment management agreement dated 26 July 2018 entered into between Yu Ming and SHK relating to the extension of provision of asset management services by Yu Ming to SHK for the period from 1 January 2019 to 31 December 2021
“New Placing”	the placing of the 512,698,586 Subscription Shares not subscribed by Ms. Chong upon the lapse of the Ms. Chong’s Subscription Agreement
“New Placing Agreement”	the conditional placing agreement dated 28 December 2018 entered into between the Company and the Placing Agent in respect of the New Placing
“New Placing Price”	HK\$0.52 per New Placing Share, the price at which the New Placing Shares are to be allotted and issued to the Independent Placees pursuant to the New Placing Agreement
“New Placing Shares”	512,698,586 New Shares falling to be allotted and issued pursuant to the New Placing Agreement
“New Share(s)”	the ordinary share(s) of HK\$0.1 each in the share capital of the Company immediately following the Capital Reorganisation becoming effective
“Offer Price”	HK\$0.52 per Offer Share (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%), the price at which the Offer Shares are to be offered under the Public Offer
“Offer Shares”	241,705,083 New Shares proposed to be issued under the Public Offer (for the avoidance of doubt, including the Reserved Shares)
“Open Offer”	the proposed open offer under the proposed restructuring of the Group as detailed in the announcement of the Company dated 17 May 2017, which was subsequently replaced by the Preferential Offering under the Public Offer
“Overseas Shareholder”	a Shareholder whose address as shown on the register of members of the Company on the Record Date is in a place outside Hong Kong

DEFINITIONS

“Placing Agent”	Sun Hung Kai Investment Services Limited, a licensed corporation under the SFO authorised to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, the placing agent in relation to the New Placing
“PO Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) who are third parties independent of the Company, the Proposed Directors, the Vendor, Yu Ming, Ms. Chong, the Underwriter, Allied Group and their subsidiaries (where applicable) and their respective parties acting in concert, connected persons and close associates within the meaning of the Listing Rules before or immediately after completion of the Public Offer
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Preferential Offering”	the preferential offering of the Reserved Shares to the Qualifying Shareholders for subscription as Assured Entitlement under the Public Offer
“Proposed Director(s)”	the person(s) proposed to be appointed as Director(s) effective from Acquisition Completion or, as the case may be, Resumption, details of whom are set out in the section headed “Proposed Directors and Senior Management of the Enlarged Group” in this prospectus
“Proposed Restructuring”	the proposed restructuring of the Group, which under current structure involving, among other things, the Capital Reorganisation, the Creditors’ Scheme, the YM Subscription, the New Placing, the Public Offer and the Acquisition
“Public Offer”	the issue and offer of the Offer Shares for subscription in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions set out in the section headed “Structure and Conditions of the Public Offer and the Preferential Offering” in this prospectus and the Application Forms and, for the avoidance of doubt, including the Preferential Offering

DEFINITIONS

“Public Offer Prospectus Documents”	this prospectus and the Application Forms
“Public Shareholder(s)”	the Shareholder(s) that are public, with public having the meaning ascribed to it under the Listing Rules
“Qualifying Shareholder(s)”	the Shareholder(s) as at the Record Date other than the Excluded Shareholders
“Record Date”	Thursday, 27 June 2019, or such other date as may be agreed among the parties to the Underwriting Agreement for the determination of Assured Entitlement under the Preferential Offering
“Reserved Shares”	150,264,780 Offer Shares being offered by the Company pursuant to the Preferential Offering at the Offer Price to the Qualifying Shareholders as Assured Entitlement
“Responsible Officer”	Licensed Representative who is also approved as a responsible officer under section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he is accredited
“Resumption”	the resumption of trading in the shares of the Company on the Main Board
“Resumption Date”	the date on which Resumption occurs
“Resumption Proposal”	the resumption proposal dated 24 August 2016 submitted by the Company to the Stock Exchange, as varied and amended from time to time
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	10,000,000 shares, being the entire issued share capital of Yu Ming as at the date of the Acquisition Agreement and on Acquisition Completion
“Scheme Administrators”	Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai, the scheme administrators or their successors appointed pursuant to the terms of the Creditors’ Scheme

DEFINITIONS

“Scheme Company A”	Grand Capital Limited, a company incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators, for the purpose of holding the proceeds of HK\$80 million from the Subscriptions (or in case of the lapse of the Ms. Chong’s Subscription, the YM Subscription and the New Placing) pursuant to the Creditors’ Scheme
“Scheme Company B”	Well Fund Limited, a company incorporated in Hong Kong with limited liability, being a special purpose vehicle held and controlled by the Scheme Administrators or such other company as may be nominated by the Scheme Administrators, for the purpose of holding the Excluded Companies and other rights and claims to be transferred to it by the Company pursuant to the Creditors’ Scheme
“Scheme Document”	the document despatched to the Creditors on 13 June 2019 with the approval of the Grand Court and the High Court which includes, inter alia, an explanatory statement and the schemes of arrangement in relation to the Creditors’ Scheme
“Scheme Meeting”	the meeting of the Creditors to be convened and held on 5 July 2019 at the direction of the Grand Court and the High Court for the purpose of considering and, if thought fit, approving the Creditors’ Scheme
“Second Supplemental Acquisition Agreement”	the second supplemental acquisition agreement dated 13 November 2017 entered into among the Vendor, the Company and the Liquidators in relation to the amendment of, among others, the payment term of the Acquisition Consideration and the extension of the long stop date
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	the share(s) of HK\$0.1 in the share capital of the Company prior to the Capital Reorganisation

DEFINITIONS

“Share Consolidation”	the consolidation of 10 issued shares of the Company immediately upon the Capital Reduction having become effective into one share as set out in resolution number one of the EGM Notice
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Shareholders at the EGM held on 22 May 2019, the principal terms of which are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholders”	the holders of the share(s) of the Company from time to time
“SHK”	SHK Hong Kong Industries Limited, a company incorporated in Hong Kong with limited liability on 19 December 1989 and an indirect non-wholly owned subsidiary of Allied Group, the shares of which are listed on the Main Board (stock code: 666)
“SHK Board”	the board of directors of SHK
“SHK Exco”	Executive Committee of the SHK Board
“SHK Group”	SHK and its subsidiaries
“Special Deal”	the proposed settlement of the indebtedness due to the Creditors, who are Shareholders, under the Creditors’ Scheme, which constituted a special deal under Note 5 to Rule 25 of the Takeovers Code, which was no longer applicable following the termination of the Ms. Chong’s Subscription Agreement
“Sponsor” or “Sole Sponsor”	Emperor Capital Limited, a licensed corporation under the SFO authorised to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities, which is appointed by the Company as the sponsor for the New Listing Application
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	collectively, Ms. Chong (prior to the termination of the Ms. Chong’s Subscription Agreement on 14 June 2019), Mr. Warren Lee and the Yu Ming Team
“Subscription(s)”	the subscriptions of the Subscription Shares by the Subscribers pursuant to the respective Subscription Agreements

DEFINITIONS

“Subscription Agreements”	collectively, the Ms. Chong’s Subscription Agreement and the YM Subscription Agreement
“Subscription Price”	HK\$0.52 per Subscription Share, the price at which the Subscription Shares are to be allotted and issued under the Subscriptions
“Subscription Shares”	the New Shares to be subscribed for by the Subscribers pursuant to the Subscription Agreements, and each, a Subscription Share
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Acquisition Agreement”	the supplemental acquisition agreement dated 7 February 2017 entered into among the Vendor, the Company and the Liquidators in relation to the amendment of certain terms of the Acquisition Agreement
“Suspension”	the suspension of trading in the Shares since 1:00 p.m. on 18 September 2014
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Shares Buy-backs
“Third Supplemental Acquisition Agreement”	the third supplemental acquisition agreement dated 2 October 2018 entered into among the Vendor, the Company and the Liquidators in relation to the amendments of, among others, the amount and timing of the Cash Advance, the conditions to the Acquisition Completion and the extension of the Long Stop Date
“Track Record Period”	the three financial years ended 31 December 2018
“Underwriter” or “Sole Underwriter”	Sun Hung Kai Investment Services Limited, a licensed corporation under the SFO authorised to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities, the underwriter in relation to the Public Offer (including the Preferential Offering)
“Underwriting Agreement”	the underwriting agreement dated 27 June 2019 entered into among the Company, the Liquidators, Mr. Warren Lee, the Sponsor and the Underwriter in relation to the Public Offer (including the Preferential Offering)
“Underwritten Shares”	241,705,083 Offer Shares, being the total number of the Offer Shares and are fully underwritten by the Underwriter pursuant to the Underwriting Agreement

DEFINITIONS

“Untaken Reserved Shares”	Reserved Shares not taken up by the Qualifying Shareholders under the Assured Entitlement
“Vendor”	Fine Era Limited, a company incorporated in the BVI with limited liability on 3 May 2007 and an indirect wholly-owned subsidiary of Allied Group
“Whitewash Waiver”	a waiver pursuant to Note 1 on Dispensations from Rule 26 of the Takeovers Code to be granted by the Executive in respect of the obligations of Ms. Chong to make a mandatory general offer to the Shareholders in respect of all Shares and the securities of the Company not already owned or agreed to be acquired by her and parties acting in concert with her as a result of her subscription of 512,698,586 Subscription Shares under the Ms. Chong’s Subscription Agreement, which was no longer applicable following the termination of the Ms. Chong’s Subscription Agreement
“ WHITE Application Form(s)”	the application form(s) for the Offer Shares (other than the Reserved Shares) for use by the public who require(s) such Offer Shares to be issued in the applicant’s/ applicants’ own name(s)
“ YELLOW Application Form(s)”	the application form(s) for the Offer Shares (other than the Reserved Shares) for use by the public who require(s) such Offer Shares to be deposited directly into CCASS
“YM Subscription”	the subscription of 284,750,000 Subscription Shares by Mr. Warren Lee and the Yu Ming Team pursuant to the YM Subscription Agreement
“YM Subscription Agreement”	the conditional share subscription agreement dated 28 December 2018 entered into among the Company, Mr. Warren Lee and the Yu Ming Team in relation to the YM Subscription
“YM Subscription Shares”	284,750,000 New Shares in aggregate to be subscribed for by Mr. Warren Lee and Yu Ming Team pursuant to the YM Subscription Agreement
“Yu Ming”	Yu Ming Investment Management Limited (禹銘投資管理有限公司), 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

DEFINITIONS

“Yu Ming Team”	the employees of Yu Ming other than Mr. Warren Lee, whose identities are set out in the Circular
“ZHONGHUI ANDA”	ZHONGHUI ANDA CPA Limited, being the auditor and reporting accountants of the Company
“%”	per cent.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.

The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this prospectus for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails. English translation of company names in Chinese or another language which are marked with “” are for identification purpose only.*

The English language version of this prospectus has been translated into Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall prevail.

CORPORATE INFORMATION

The following sets out the corporate information relating to the Enlarged Group on Resumption.

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong upon Acquisition Completion	Room 1801, 18th Floor Allied Kajima Building 138 Gloucester Road Wanchai Hong Kong
Authorised representatives	Mr. Li Chi Kong Flat F, 24th Floor, Block 16 Yee Tsui Court South Horizons Ap Lei Chau Hong Kong Mr. Lee Wa Lun Warren Flat B, 12th Floor, Tower 2 Tregunter 14 Tregunter Path Hong Kong
Company secretary	Mr. Lee Hon Sang <i>Certified Public Accountant</i> Flat D, 21st Floor, Block 5 The Green Wood Laguna Verde Hung Hom, Kowloon Hong Kong
Compliance adviser	Emperor Capital Limited <i>A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> 23rd Floor, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong

CORPORATE INFORMATION

Principal share registrar and transfer office	Conyers Trust Company (Cayman) Limited Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Hong Kong Branch Share Registrar	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal banker(s)	OCBC Wing Hang Bank Limited 161 Queen's Road Central Hong Kong BNP Paribas Hong Kong Branch 63 rd Floor, Two International Finance Centre 8 Finance Street Central, Hong Kong
Company's website	www.irasia.com/listco/hk/chinaagrotech/ <i>(information contained in this website does not form part of this prospectus)</i>
Audit committee	Mr. Chan Sze Chung (<i>Chairman</i>) Mr. Suen Chi Wai Mr. Sum Wai Kei Wilfred
Nomination committee	Mr. Li Chi Kong (<i>Chairman</i>) Mr. Chan Sze Chung Mr. Suen Chi Wai Mr. Sum Wai Kei Wilfred
Remuneration committee	Mr. Sum Wai Kei Wilfred (<i>Chairman</i>) Mr. Chan Sze Chung Mr. Li Chi Kong Mr. Suen Chi Wai

PROPOSED DIRECTORS AND PARTIES INVOLVED

The Company has no Directors as at the Latest Practicable Date.

The following are the Proposed Directors effective immediately following Acquisition Completion:

Name	Address	Nationality
Executive Directors		
Mr. Lee Wa Lun, Warren (李華倫先生)	Flat B, 12 th Floor Tower 2 Tregunter 14 Tregunter Path Hong Kong	British
Mr. Lam Chi Shing (林志成先生)	Flat F, 6 th Floor Block 1 Sceneway Garden Lam Tin, Kowloon Hong Kong	Chinese
Ms. Li Ming (李銘女士)	Flat A, 3 rd Floor 28 Broadway Mei Foo Sun Chuen Lai Chi Kok Kowloon Hong Kong	Chinese
Non-executive Director		
Mr. Li Chi Kong (李志剛先生)	Flat F, 24 th Floor Block 16 Yee Tsui Court South Horizons Ap Lei Chau Hong Kong	British

PROPOSED DIRECTORS AND PARTIES INVOLVED

The following are the Proposed Directors effective from Resumption:

Name	Address	Nationality
Independent non-executive Directors		
Mr. Chan Sze Chung (陳思聰先生)	Room D, 22 nd Floor Block 5 Castello 69 Siu Lek Yuen Road Shatin, New Territories Hong Kong	Chinese
Mr. Suen Chi Wai (孫志偉先生)	Flat F, 45 th Floor Tower 1 City Point 48 Wing Shun Street Tsuen Wan, New Territories Hong Kong	Chinese
Mr. Sum Wai Kei, Wilfred (岑偉基先生)	Flat I, 11 th Floor Hilltop Mansions 60 Cloud View Road North Point Hong Kong	Chinese

PROPOSED DIRECTORS AND PARTIES INVOLVED

Sponsor to the Company	Emperor Capital Limited <i>A corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> 23rd Floor, Emperor Group Centre 288 Hennessy Road Wanchai Hong Kong
Financial adviser to the Company	Lego Corporate Finance Limited <i>A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO</i> Room 1601, 16th Floor China Building 29 Queen's Road Central Hong Kong
Underwriter	Sun Hung Kai Investment Services Limited <i>A corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO</i> 42nd Floor Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
Legal advisers to the Company	<i>As to Hong Kong Laws:</i> Michael Li & Co. 19th Floor, Prosperity Tower No. 39 Queen's Road Central Central Hong Kong <i>As to Cayman Islands Laws:</i> Harney Westwood & Riegels 3501, The Center 99 Queen's Road Central Hong Kong
Legal advisers to the Sponsor	Vincent T.K. Cheung, Yap & Co. 11th Floor Central Building 1-3 Pedder Street Central Hong Kong

PROPOSED DIRECTORS AND PARTIES INVOLVED

Legal advisers to the Underwriter	Ropes & Gray 44th Floor One Exchange Square 8 Connaught Place Central Hong Kong
Auditor and reporting accountants to the Company	ZHONGHUI ANDA CPA Limited Unit 701, 7th Floor Citicorp Centre 18 Whitfield Road Causeway Bay Hong Kong
Reporting accountants to Yu Ming and proposed auditor of the Company after Resumption	BDO Limited 25th Floor Wing On Centre 111 Connaught Road Central Hong Kong
Receiving bank	Industrial and Commercial Bank of China (Asia) Limited 33rd Floor ICBC Tower 3 Garden Road Central Hong Kong

LETTER FROM THE LIQUIDATORS

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

LETTER FROM THE LIQUIDATORS

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

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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).

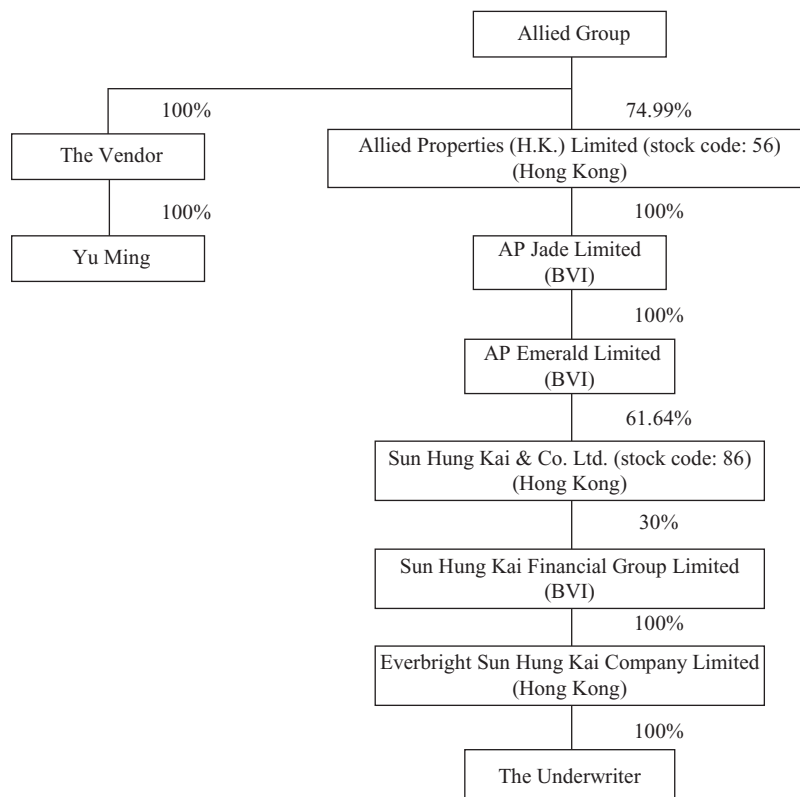
UNDERWRITING AGREEMENT

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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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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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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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:

	Period covered	Deadline for results announcement	Deadline for despatch of financial reports
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**”):

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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	%
Public Shareholders										
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>
Total	<u>1,001,765,216</u>	<u>100</u>	<u>100,176,521</u>	<u>100</u>	<u>897,625,107</u>	<u>100</u>	<u>1,139,330,190</u>	<u>100</u>	<u>1,139,330,190</u>	<u>100</u>

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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.

LETTER FROM THE LIQUIDATORS

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

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus contains forward-looking statements that state the intentions, beliefs, expectations or predictions of the Enlarged Group and/or Yu Ming for the future that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Specific Risk Associated with the Proposed Restructuring”, “Industry Overview”, “Business of Yu Ming”, “Financial Information of Yu Ming” and “Future Plans” in this prospectus. These forward-looking statements include all statements in this prospectus that are not historical fact, but relate to our intentions, beliefs, expectations or predictions for future event, including, without limitation, statements relating to:

- the outcome of court hearings;
- the Enlarged Group’s operations and business prospects;
- the Enlarged Group’s strategies, plans, objectives and goals and its ability to implement such strategies and achieve its plans, objectives and goals;
- the Enlarged Group’s future capital needs and capital expenditure plans;
- prospective financial matters regarding the Enlarged Group’s business, results of operations and financial condition;
- the regulatory environment and industry outlook generally; and
- the general political and economic environment.

When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions, as they relate to Yu Ming and/or the Enlarged Group, are intended to identify forward-looking statements. However, all statements in this prospectus other than statements of historical fact are forward-looking statements. Such forward-looking statements reflect the views of the management of the Enlarged Group and/or Yu Ming as the case may be as at the date of this prospectus with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. One or more of these risks or uncertainties may materialize, or underlying assumptions may prove incorrect.

Subject to the requirements of the Listing Rules and applicable laws, the management of the Enlarged Group and/or Yu Ming do not have any obligation nor do they intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the management of the Enlarged Group and/or Yu Ming expects, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

You should carefully consider all of the information in this prospectus including the risk factors described below. The business, financial condition or results of operations of the Enlarged Group could be materially adversely affected by any of these risk factors. In addition to the risk factors described below, other risks and uncertainties not presently known to the Enlarged Group, or not expressed or implied below, or that the Enlarged Group currently deems immaterial, may also adversely affect the business, operating results and financial condition of the Enlarged Group in a material respect.

RISKS RELATING TO THE ACQUISITION, THE YM SUBSCRIPTION, THE NEW PLACING AND THE PUBLIC OFFER

Completion is subject to the fulfillment of the Conditions and there is no assurance that all Conditions will be fulfilled

There are a number of conditions precedent to the Acquisition Completion, the completion of the YM Subscription, the New Placing and the Public Offer that are subject to decisions, consents and approvals from third parties including, but not limited to, the Grand Court approving the Capital Reduction, approval by the Creditors and courts in Hong Kong and the Cayman Islands on the Creditors' Scheme, the Creditors' Scheme becoming effective and other approval and consents from regulatory bodies, the Listing Committee for the New Listing Application and for the listing of and permission to deal in the YM Subscription Shares, the New Placing Shares and the Offer Shares on the Stock Exchange. Details of the Conditions are set out in the section headed "Structure and Conditions of the Public Offer and the Preferential Offering – Conditions of the Public Offer" and the Circular and certain specific risk are set out in the section headed "Specific Risk Associated with the Proposed Restructuring" in this prospectus. There is no assurance that the Acquisition will be completed as contemplated as the fulfillment of the conditions precedent for completion of the Acquisition, the YM Subscription, the New Placing and the Public Offer are beyond control of the parties involved.

The shareholding percentages of the Existing Shareholders in the Company will be substantially diluted immediately following completion of the YM Subscription, the New Placing and the Public Offer

The Company and the Subscribers have entered into the YM Subscription Agreement, pursuant to which the YM Subscription Shares were subscribed by the Subscribers at HK\$0.52 per YM Subscription Share. The Company has also entered into the New Placing Agreement for the placing of 512,698,586 New Placing Shares. Assuming the Capital Reorganisation becoming effective, the YM Subscription Shares and the New Placing Shares in aggregate represent (i) approximately 88.8% of the issued share capital of the Company as enlarged by the allotment and issue of the YM Subscription Shares and the New Placing Shares; and (ii) approximately 69.9% of the issued share capital of the Company as enlarged by the allotment and issue of the YM Subscription Shares, the Offer Shares and the New Placing Shares. If the Existing Shareholders do not take up their Assured Entitlement under the Public Offer, their shareholding in the Company will be further diluted and the shareholding percentages of the Existing Shareholders in the Company would be substantially diluted. Any value enhancement of the New Shares as a result of the Acquisition may not necessarily offset the dilution effect to the Existing Shareholders.

RISK FACTORS

Goodwill impairment could negatively affect reported results of operations of the Enlarged Group

Upon Acquisition Completion, the Enlarged Group is expected to record goodwill of approximately HK\$305.7 million, the majority of which is related to the Acquisition. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Testing for impairment requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. There are inherent uncertainties related to these factors and to the Directors' judgment in applying these factors to the assessment of goodwill recoverability. The Enlarged Group could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused. Impairment potentially incurred could substantially affect the Enlarged Group's results of operations in the periods covered. In addition, impairment charges would negatively impact the Enlarged Group's financial ratios and could limit its ability to obtain financing in the future.

Intangibles impairment could negatively affect reported results of operations of the Enlarged Group

Upon Acquisition Completion, the Enlarged Group is expected to record intangible assets of approximately HK\$101.0 million. Pursuant to applicable accounting standards, intangible assets that have a finite life are amortised over its estimated useful life and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Intangible assets that have an indefinite life are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. The impairment may be further affected by the assumptions used in cash flow generated from relevant intangible assets and the estimated useful life of intangible assets, which in turn may have a material adverse impact on the results of operations of the Enlarged Group.

RISK FACTORS

RISKS RELATING TO THE BUSINESS AND OPERATIONS OF YU MING

As Yu Ming will be the only operating subsidiary of the Enlarged Group immediately upon Resumption, any material disruptions to the business of Yu Ming would adversely affect the business, results of operations and financial condition of the Enlarged Group.

The revenue of Yu Ming's corporate financial advisory service is on a project-by-project basis and non-recurring in nature

The revenue of Yu Ming was primarily generated from fees negotiated on a project-by-project basis and non-recurring in nature. Depending on the complexity, labour intensity and scope of services to be provided, the amount of fees and other income from mandates varies from project to project. The terms and conditions of each mandate, including its payment schedule, may vary in each case after negotiation with clients. In these circumstances, there is no assurance that Yu Ming will be able to secure future mandates which will generate the same level of fee revenue as previously earned. The revenue and operation results of Yu Ming may therefore be unpredictable and subject to significant fluctuation. There is no assurance that the business or operation results of the Enlarged Group will be sustained.

Yu Ming derived a significant portion of its revenue from its asset management services under which it only has one client

As at the Latest Practicable Date, SHK was the sole client of Yu Ming's asset management business. SHK has engaged Yu Ming as its investment adviser since 1997 and income derived from the Management Agreement accounted for approximately 29.0%, 28.8% and 29.9% of Yu Ming's total revenue for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 respectively. As disclosed in the sub-section headed "Asset Management" of the section headed "Business of Yu Ming" in this prospectus, the New Management Agreement will expire on 31 December 2021. There is no assurance that the New Management Agreement will be renewed, or if renewed, the terms of Yu Ming's engagement will be the same as the New Management Agreement. If the New Management Agreement is not renewed, or if renewed but on terms less favourable to Yu Ming than the existing terms, the performance and results of operation of the Enlarged Group may be materially and adversely affected.

Delay in or termination of transactions may have an adverse impact on Yu Ming's financial performance

The payment terms of many of Yu Ming's mandates with clients involved an initial payment and milestone based payments. Payment of fees by clients is usually collected after certain milestones of a project have been achieved and is not usually directly based on the costs incurred by Yu Ming, which mainly consists of staff remuneration. If milestones cannot be met after a substantial amount of work done or costs have been expended, operation results of Yu Ming may be materially and adversely affected.

RISK FACTORS

If a client decides to withdraw a transaction before completion, the initial payment and the milestone payments may not cover costs already incurred. Payments from clients are due upon presentation of invoices but clients may still seek discounts or delay settling payment, or may not settle them at all. Delay in receiving payments from or non-payment by the clients may adversely affect the Enlarged Group's cash flow position, financial condition and results of operation.

Yu Ming derived a significant portion of its revenue under its corporate finance advisory services from some major clients

For each of the years ended 31 December 2016, 31 December 2017 and 31 December 2018, fees received by Yu Ming from the top five clients under its corporate finance advisory services together accounted for approximately 42.1%, 34.9% and 35.6% respectively of Yu Ming's total revenue and approximately 61.3%, 50.0% and 52.0% respectively of Yu Ming's corporate finance advisory services income for such years. Yu Ming does not have any long term contract with any of these clients, or even if there are retainer engagements they can be terminated by the clients with notice. There is no assurance that Yu Ming could continue the business relationship with these clients, or these clients require services from Yu Ming in future. If Yu Ming is unable to maintain business relationship with these clients, or services these clients require substantially decrease, the performance and results of operation of the Enlarged Group may be materially and adversely affected.

Revenue derived from commission based services may be uncertain

Yu Ming provided corporate finance advisory services under which Yu Ming's fees were commission based, such as placing and underwriting services. The amount of placing or underwriting commission to be recognised by Yu Ming is directly related to the amount of funds the clients intend to raise and whether the fund raising execution is ultimately completed or not. This would be subject to external factors which are beyond control of Yu Ming, such as whether the market for fund raising exercises is active under the prevailing financial market environment, and there is no assurance that Yu Ming will be able to receive any commission under such engagements or the amount to be received.

Yu Ming is reliant on key management personnel to conduct business. Failure to retain them or to attract suitable replacements would have an adverse impact on operations

The success of Yu Ming depends on its ability to retain key management and other personnel and to attract and train suitable replacements. Mr. Warren Lee, a founding director and now the managing director of Yu Ming, played a significant role in Yu Ming's day-to-day operation and the maintenance of business relationships with Yu Ming's clients. If any of the key management personnel of Yu Ming, in particular Mr. Warren Lee, is unwilling or become unable to continue their services, Yu Ming may not be able to replace them adequately, in a proper and timely manner or at all, which would have a material adverse effect on performance of the Enlarged Group and its result of operation.

RISK FACTORS

Under the licensing requirements of the SFO, Yu Ming is required to maintain at least two Responsible Officers for each type of regulated activities. As at the Latest Practicable Date, Yu Ming had three Responsible Officers for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) and two Responsible Officers for Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

In the event any of the Responsible Officers resign, become disqualified or otherwise ineligible to continue their role as Responsible Officer, and at the same time the void created as a result thereof is without immediate and adequate replacement, this may result in a situation where one or more of the four regulated activities of Yu Ming have fewer than two Responsible Officers. In this case, Yu Ming will be in breach of the relevant licensing requirements which could adversely affect its status as a licensed corporation, thus jeopardizing the Enlarged Group's business and financial performance.

Potential employee misconduct could damage Yu Ming's reputation, financial position, and business relationships with clients

Yu Ming is subject to a number of regulations, obligations and standards arising from its business and operates in an industry where its reputation for integrity and retaining the confidence of clients and regulators are of the utmost importance. Misconduct by an employee may include improper use or disclosure of confidential information, engaging in insider dealing or fraudulent acts, or otherwise not complying with applicable laws or regulations or the internal control procedures. During the Track Record Period and up to the Latest Practicable Date, as far as the Proposed Directors are aware, there has not been any disciplinary action by regulators against any Proposed Directors, Responsible Officers, Licensed Representatives or staff of Yu Ming. Nevertheless, there is no assurance that there will not be incidents of employee misconduct in the future. It is not always possible to detect or deter employee misconduct, and internal control and precautions the Enlarged Group takes to detect and prevent such activity may not be effective in all cases. Regulators may investigate or take disciplinary action and clients may also take legal action against Yu Ming in respect of such employee misconduct. Any such action could have a material adverse effect on Yu Ming's reputation, business relationships with clients and therefore the Enlarged Group's financial position and results of operation.

Potential exposure to professional liability and litigation

The principal business of Yu Ming is the provision of professional advisory service to its clients. Any loss incurred to client resulting from the reliance on advice given by Yu Ming may cause material claim and legal action against Yu Ming and/or the Proposed Directors and employees for compensation. As disclosed in the sub-section headed "Litigation and Disciplinary Actions" of the section on "Business of Yu Ming" of this prospectus, (i) Yu Ming was named as defendants in three actions, although the writs have not been served on Yu Ming and lapsed and no legal proceedings have been commenced against Yu Ming under those actions and (ii) High Court Action No. HCA1077/2017 has been commenced against Yu Ming claiming recovery of fees paid to it under two previous engagements in the aggregate sum of HK\$5.3 million together with interest calculated from

RISK FACTORS

8 May 2017 at the judgment rate applicable from time to time. In respect of HCA1077/2017, if judgment is made in favour of the plaintiff, Yu Ming may also be liable to pay the plaintiff's costs incurred in the action, the amount of which cannot be quantified yet.

Any possible claims or lawsuits against Yu Ming arising from professional negligence and/or employee misconduct could have a material adverse effect on Yu Ming's business, reputation and prospects and the Enlarged Group's results of operations and financial condition.

Yu Ming is subject to extensive regulatory requirements, including under the SFO, non-compliance with which, or changes in these regulatory requirements, may affect the Enlarged Group's business operations and financial results

The Hong Kong financial market in which Yu Ming operates is highly regulated. There are changes in rules and regulations from time to time in relation to the regulatory regime for the financial service industry, including, but not limited to, the SFO, the Predecessor Companies Ordinance, the Companies Ordinance, the FRR, the Listing Rules, the GEM Listing Rules and the Takeovers Code. Any such changes in the relevant rules and regulations may result in an increase in Yu Ming's cost of compliance, or might restrict its business activities. If Yu Ming fails to comply with the applicable rules and regulations from time to time, it may face fines or restrictions on its business activities or even suspension or revocation of some or all of its licences for carrying on its business activities.

Furthermore, Yu Ming is required to be licensed with the SFC, as licensed corporations under the SFO. In this respect, Yu Ming has to ensure continuous compliance with all applicable laws, regulations and guidelines, and satisfy the SFC, the Stock Exchange and/or other regulatory authorities that it remains fit and proper to be licensed. If there is any change or tightening of the relevant laws, regulations and guidelines, it may materially and adversely affect Yu Ming's business operations.

Yu Ming may be subject to regulatory on-site reviews, inspection and investigations from time to time. Yu Ming is bound by the secrecy obligations under section 378 of the SFO whereby it is not permitted to disclose any information concerning an ongoing investigation. Unless Yu Ming is specifically named as the party that is being investigated under the SFO investigation, Yu Ming generally would not know whether it, or any of its directors, Responsible Officers, Licensed Representatives or staff is the subject of SFC investigations. If the results of the review, inspections or investigations reveal misconduct, the SFC may take disciplinary actions such as revocation or suspension of licenses, public or private reprimand or imposition of pecuniary penalties against Yu Ming, its Responsible Officers or Licensed Representatives and/or any of staff. Any disciplinary actions taken against or penalties imposed on Yu Ming, its directors, Responsible Officers, Licensed Representatives or relevant staff could have an adverse impact on the Enlarged Group's business operations and financial results.

The above factors could also result in substantial cost, and diversion of resources and management's attention from the day-to-day management of business and in turn affect the Enlarged Group's results of operations and financial condition.

RISK FACTORS

Yu Ming is subject to credit risk

The credit terms of trade receivables of Yu Ming are applied to its clients according to industry practice together with consideration of the clients' creditability, repayment history and years of establishment. There is however no assurance that clients will settle fee notes in full and in a timely manner. Accordingly, the operation results and cash flow of Yu Ming may be adversely affected.

Yu Ming's internal control system may be subject to failures and limitations

In order to monitor and ensure compliance with the licencing and regulatory requirements under the SFO and other applicable laws or regulations in relation to the operations of Yu Ming including anti-money laundering and counter-terrorist financing activities, an internal control system has been established and maintained by Yu Ming. There is no assurance that the internal control system in place will prove at all times adequate and effective to deal with all the possible risks given the fast changing financial and regulatory environment in which Yu Ming operates. There is no assurance that Yu Ming will always be able to identify transactions with respect to anti-money laundering and counter-terrorist financing activities. Failure to prevent such transactions may result in sanctions on Yu Ming by regulatory authorities. Furthermore, no matter how sophisticated in design, internal control systems may still contain inherent limitations caused by misjudgment or fault of the Directors, senior management and/or staff. Any deficiencies in the internal control system may fail to prevent or address all potential risks, and as a result the Enlarged Group's business, prospects, results of operations and financial condition may be materially and adversely affected.

Yu Ming may experience failure in its information technology system

Yu Ming maintains a computer network for data storage, and internal and external communication, and backs up its data storage regularly. The computer server is located in Yu Ming's premises while data storage service has been engaged to backup such data separately. The computer system used by Yu Ming may be vulnerable to mechanical failures, attack by computer viruses, hackers, or other disruptive actions. Any failure in protecting the computer network system from problems may result in breakdown of the computer network system or leakage of confidential information about Yu Ming or its clients. Yu Ming does not take out any insurance to protect itself from such risks. Accordingly, damage to the computer system and data base may cause an interruption to the business of Yu Ming and any leakage of confidential information may lead to claims against Yu Ming and materially and adversely affect the business, prospects, results of operations and financial condition of the Enlarged Group.

RISK FACTORS

RISKS RELATING TO THE INDUSTRY IN WHICH YU MING OPERATES

Significant number of existing participants and potential new entrants of the corporate finance industry

According to information published by the SFC, as at 31 December 2016, 2017 and 2018, there were 288, 315 and 331 licenced corporations which were licensed to participate in Type 6 (advising on corporate finance) regulated activity respectively. New participants may enter the corporate finance industry provided that they have engaged professionals with the appropriate qualifications and skills and have obtained the requisite regulatory licences. Yu Ming competes with other market participants on a number of aspects, including (i) the quality and scope of services provided to clients; (ii) reputation and timeliness and (iii) fee levels. The corporate financial advisory services industry operates in a fast-changing business environment. The Proposed Directors expect that competition in the industry to remain intense.

There is no assurance that Yu Ming will be able to retain existing clients and/or to gain new ones. Competition may result in compromises on fee income, profit margin and market share and staff being poached by competitors.

Conditions in the Hong Kong securities markets may reduce the level of corporate finance activity which would in turn materially and adversely affect the Enlarged Group's business, prospects, results of operations and financial condition.

The number of active corporate finance projects is influenced by the level and activity of the financial markets of Hong Kong. The Hong Kong financial markets are in turn subject to various factors including global and local political, economic and social conditions. Severe fluctuations in market and economic sentiment tend to reduce the level of market activity in a particular period owing to loss of confidence, difficulties in raising finance or unwillingness to make decisions on the part of market participants which in turn can materially and adversely affect the Enlarged Group's business, prospects, results of operations and financial condition.

RISKS RELATING TO MACROECONOMIC AND POLITICAL CONDITIONS

Macro political condition shifts, particularly in Hong Kong and the PRC, may have material and adverse affect on Yu Ming's business, prospects and results of operation and financial condition.

Yu Ming's business and operations are currently based in Hong Kong and the businesses of the majority of its clients are directly affected by the overall performance of the economy of Hong Kong and the PRC. As an open economy, Hong Kong's domestic economy is influenced by the global economy. The PRC economy is also progressing and becoming more open. Certain Hong Kong based investors benefit in the PRC's economic growth through shareholdings in Hong Kong listed companies, including clients of Yu Ming. Equally, PRC based companies and investors are increasingly seeking to carry out transactions through and/or with Hong Kong listed companies. The global, PRC and Hong Kong economies are affected by, among other things, legal and regulatory changes, political

RISK FACTORS

conditions in global markets, global levels of liquidity and risk aversion, currency and interest rate fluctuations, concerns about natural disasters, terrorism and war, the level and volatility of interest rates and foreign currency exchange rates, concerns over inflation, and changes in investor confidence levels. All of these factors are beyond the control of Yu Ming. If any of the above factors changes unfavourably, the Enlarged Group's business, prospects, results of operations and financial condition may be materially and adversely affected.

Any material adverse change in the stability of political conditions in Hong Kong may have material and adverse effect on Yu Ming's business

As a special administrative region, Hong Kong has been given a high degree of autonomy and enjoys independent judicial power by the PRC, including that of final adjudication under the principle of "one country, two systems" in accordance with the basic policies of the PRC regarding Hong Kong embodied in the Basic Law of Hong Kong. This is an unique advantage for Hong Kong-based businesses such as Yu Ming. During and after the Track Record Period, political movements and protests have occurred which may place this system under strain. Any material adverse change in the stability of political conditions in Hong Kong may jeopardise Yu Ming's business which in turn have material and adverse effect on the Enlarged Group's results of operation and financial condition.

RISK ASSOCIATED WITH ACCURACY OF THIRD PARTY DATA

Certain statistics and data extracted or derived from various governmental or third party sources should not be unduly relied upon.

Certain statistics and industry data included in this prospectus have been extracted or derived from various governmental sources, the websites of the SFC, the Stock Exchange and other third party sources. The Company believes that the sources are appropriate for such statistics and data and has taken reasonable care in the extraction, compilation and reproduction of such statistics and data. The Company has no reason to believe that such statistics and data are false or misleading, or that any fact has been omitted that would render such statistics and data false or misleading. However, the Company has not independently verified such statistics and data, and such party or parties do not make any representation as to the accuracy or completeness of such statistics and data, which may be inconsistent with statistics and data derived from other sources. As such, these statistics and data should not be unduly relied upon by Shareholders. As a result of different market practices, differences between published information, possible flawed collection methods or other problems, the statistics and data shown in this prospectus might not be accurate or complete or might not be comparable to statistics and data produced from other sources. Accordingly, Shareholders should give careful consideration as to how much weight or importance they should attach to or place on such statistics and data.

RISK FACTORS

RISK ASSOCIATED WITH THE COMPANY NOT INCORPORATED IN HONG KONG

You may face difficulties in protecting your interests because the Company was incorporated under Cayman Islands laws, and the laws of the Cayman Islands for minority shareholders' protection may be different from those under the laws of Hong Kong or other jurisdictions

The Company is a Cayman Islands company and its corporate affairs are governed by the Companies Law and other laws of the Cayman Islands. The laws of Cayman Islands relating to the protection of the interest of minority shareholders may differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Therefore, remedies available to the minority shareholders of the Company may differ to those they would have under the laws of Hong Kong or other jurisdictions. Please refer to the section headed "Summary of Constitution of the Company and Cayman Islands Company Law" in Appendix IV to this prospectus for more information.

SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

At the EGM, Mr. David Yen Ching Wai who acted as the chairman of the EGM (the “**Chairman**”) reported that in the proxy form submitted by HKSCC, 230,000,000 Shares voted against all resolutions to be proposed and resolved at the EGM and accordingly, all resolutions relating to the Proposed Restructuring would have expected to be voted down. The said 230,000,000 Shares were determined by the Chairman to be for and on behalf of the Dissenting Shareholder.

A Shareholder present at the EGM raised an objection that it was irrational for a Shareholder to vote down the Proposed Restructuring as it could cause substantial damage to the interests of the Shareholders as a whole by halting the Resumption and preventing any value being recovered by the Shareholders through the Proposed Restructuring.

The said Shareholder further raised objection to the Chairman as to the impropriety of the Dissenting Shareholder’s votes (“**Objection**”).

Given the Objection, the Chairman consulted the Company’s legal advisers as to matters of Cayman Islands law about the authority of the Chairman under Article 77 of the Existing Articles to dis-apply the votes of the Dissenting Shareholder.

Upon consideration of the following circumstances and having sought and obtained legal advice as to matters of Cayman Islands law that he was entitled to exercise discretion not to count the votes of the Dissenting Shareholder at the EGM pursuant to Article 77 of the Existing Articles, the Chairman decided to exercise his rights under Article 77 of the Existing Articles to dis-apply the Dissenting Shareholder’s votes (the “**Chairman Decision**”):

- (i) the Company had disclosed the dilution effect of the Proposed Restructuring by way of announcement as early as December 2018 and had further disclosed the dilution effect in the Circular dated 27 April 2019. The Dissenting Shareholder had never raised any issues with regard to the dilution effect until its legal adviser issued a letter dated 16 May 2019 stating its intention to vote against the resolutions approving the Proposed Restructuring;
- (ii) the Company was placed into the third delisting stage and the Stock Exchange only allows the Company to submit a new listing application relating to the submitted proposal (i.e. the proposal relating to the Proposed Restructuring) but not any other proposals. If the proposal fails to proceed for any reasons, the Stock Exchange will proceed with the cancellation of the Company’s listing;
- (iii) given that the votes cast by the Dissenting Shareholder were the only votes against the Proposed Restructuring, this was an evidence that the Dissenting Shareholder was acting irrationally;
- (iv) to put it another way, the Dissenting Shareholder’s votes against the Proposed Restructuring has no rational reason and could have caused damage to the economic position of the Company and the economic value of the Shares of the remaining Shareholders and creditors of the Company, particularly in

SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

circumstances where the Proposed Restructuring will return value for the Shareholders and the Creditors. If the Proposed Restructuring were voted down, the Shareholders would have received nothing; and

- (v) in an insolvency situation, creditors have priority to any return or distribution. Liquidators' fiduciary duties require them to put creditors' interests first when exercising their judgement in pursuing recovery.

Following the Chairman's Decision and after dis-applying the votes of the Dissenting Shareholder, all the ordinary resolutions and special resolutions were duly passed unanimously by the Shareholders by way of poll at the EGM.

The Liquidators also obtained written legal advice as to matters of Cayman Islands law confirming that the Chairman properly exercised his discretion not to count the votes of the Dissenting Shareholder at the EGM pursuant to Article 77 of the Existing Articles.

At the Hearing held on 4 June 2019, the Grand Court was informed of the Chairman's Decision to dis-apply the votes cast by or on behalf of the Dissenting Shareholder. To avoid potential dispute from the Dissenting Shareholder, the Grand Court directed at the said Hearing that the Company do seek declaratory relief in conjunction with the orders sought for the Capital Reduction. Accordingly the Company filed and served 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; and/or in the alternative, a declaration that the votes of the Dissenting Shareholder cast at the EGM in respect of the Capital Reduction 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 the confirmation of the Capital Reduction at 10:00 a.m. on 5 July 2019 (Cayman Islands time).

The Grand Court directed that if the Dissenting Shareholder, or any other shareholder of the Company, wishes to appear and be heard in relation to the application for the Capital Reduction 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 its position by 26 June 2019. The Company may file reply evidence within seven days of receipt of evidence by any Shareholder and/or the Dissenting Shareholder.

As advised by legal advisers to the Company as to matters of Cayman Islands law, the Chairman has properly exercised his discretion not to count the votes of the Dissenting Shareholder at the EGM pursuant to Article 77 of the Existing Articles. As such, the Company believes that the Proposed Restructuring (including the Public Offer) should continue to be carried out.

SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

Set out below are the key dates (in Hong Kong time) for Resumption:

Date	Major Event
26 June 2019	Deadline for any dissenting shareholder to file its written notice of the intention to appear and be heard in hearing to be held on 5 July 2019 and relevant evidence in support of its position
28 June 2019	Commencement of the Public Offer (including the Preferential Offering)
5 July 2019	Grand Court hearing for confirming Capital Reduction and Declaratory Summons (“ Event A ”)
8 July 2019 (Cayman Islands time)	Grand Court hearing for sanctioning the Creditors’ Scheme
9 July 2019	High Court hearing for sanctioning the Creditors’ Scheme
On or before 15 July 2019 (note 1)	Effective date of the Creditors’ Scheme
15 July 2019 (note 2)	Effective date of the Capital Reorganisation
19 July 2019	Application lists closes
25 July 2019	Announcement of completion of the YM Subscription, the New Placing, the Public Offer (including the Preferential Offering) and the Acquisition
26 July 2019	Resumption and dealing in the New Shares commence

Notes:

1. According to the Company Law (2018 Revision), the Creditors’ Scheme will become effective when an office copy of the court order sanctioning the Creditors’ Scheme is delivered to the Registrar of Companies in the Cayman Islands for registration. Section 673(6) of the Companies Ordinance (Cap 622, laws of Hong Kong) provides that the Creditors’ Scheme will become effective when an office copy of the court order sanctioning the Creditors’ Scheme is registered with the Hong Kong Registrar of Companies. It is expected that such registrations will be completed within seven days of the court order.
2. Section 17(2) of the Companies Law (2018 Revision) provides that upon the registration of the order and minutes with the Cayman Islands Registrar of Companies, and not earlier, the resolution for the Capital Reduction as confirmed by the court order approving the Capital Reduction shall take effect. Further, the explanatory statement of the Creditors’ Scheme defines “Capital Reorganisation” as comprising the Capital Reduction, the Share Consolidation and the Increase in the Authorised Share

SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

Capital. The Share Consolidation and the Increase in the Authorised Share Capital take effect when the Capital Reduction takes effect i.e. upon registration with the Cayman Islands Registrar of Companies. It will therefore take a number of days for the court order approving the Capital Reduction to be sealed by the Grand Court and registered with the Cayman Islands Registrar of Companies.

Consequence if the Grand Court does not grant the orders sought by the Company under Event A

In the event that the Grand Court does not grant any of the orders sought by the Company under Event A, given the Proposed Restructuring will not be completed in such circumstances, the Company will announce its withdrawal of the Public Offer on the date of receipt of the court judgment. Refund cheques in respect of the Public Offer will be despatched to the applicants within five Business Days from the date of the announcement.

Consequence if the Grand Court grants the orders sought by the Company under Event A

In the event that the Grand Court grants the orders sought by the Company under Event A, pursuant to the legal advisers to the Company as to matters of Cayman Islands law, the Dissenting Shareholder may apply for leave to appeal the relevant court orders but an application for leave has to be made to the Grand Court at the time the order is made or by summons issued within 14 days from the date of the sealed order, and that if the Grand Court refuses to grant leave, an application for leave may be made to the Cayman Islands Court of Appeal (“COA”) on an ex parte basis within seven days.

The Company’s legal advisers as to matters of Cayman Islands law advised that:

- (i) there is no specific timeframe for the Grand Court to issue its sealed orders for the Declaratory Summons and Capital Reduction (“Orders”), but it is expected to be within a matter of days after the hearing based on their experience;
- (ii) if the Dissenting Shareholder does not file application for leave to appeal with the Grand Court by the Appeal Deadline, the Dissenting Shareholder will be barred from making any application for appeal of the Orders or suspension of execution; and
- (iii) however, under Rule 11(6) of the Court of Appeal Rules, the Grand Court may allow an application for leave to appeal out of time if there are extenuating circumstances to do so. Given that the Dissenting Shareholder already has notice of the hearings on 5 July 2019 and 8 July 2019 in the Cayman Islands, the Company’s legal advisers as to matters of Cayman Islands law cannot see any circumstances where the Grand Court or the COA would grant leave to appeal out of time. The Company’s legal advisers as to matters of Cayman Islands law cannot see any extenuating or exceptional circumstance where the Grand Court or the COA would grant leave to appeal out of time to the Dissenting Shareholder.

SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

The legal advisers to the Company as to matters of Cayman Islands law are of the view that the Dissenting Shareholder's position in such application is in the realm of unrealistic or fanciful, and the prospect of the Dissenting Shareholder to obtain such leave to be low.

The Company's legal advisers as to matters of Cayman Islands law further advised that:

- (i) Rule 20 of the Court of Appeal 2014 provides that unless otherwise directed by the Grand Court or the COA, the appeals process will not operate as a suspension of execution of the proceedings under the decision of the Grand Court and no intermediate act or proceeding will be invalidated by commencing an appeal process;
- (ii) from their experience it is very difficult to obtain a suspension of execution pending a determination of an appeal. It could be reasonably expected that the party seeking the stay will be required to lodge a significant sum of money with the court in an amount attributable to the loss that would be suffered by the other party in the event that the judgment should not have been stayed before the court might entertain the application for a suspension;
- (iii) in other words, even if the Dissenting Shareholder makes an application for leave to appeal the orders of Capital Reduction and the Declaratory Summons, the validity and execution of the Orders will not be affected. Even if the Dissenting Shareholder makes an application to suspend the Orders pending its application for leave to appeal, the Dissenting Shareholder is likely to be required to deposit a significant sum of money with the court in an amount equivalent to the loss in value that is reasonably expected to be suffered by the stakeholders of the Company if the Proposed Restructuring cannot be effected.

Although it is possible that the Dissenting Shareholder may apply for leave to appeal or suspend the Orders during the Public Offer period or after Resumption, the legal advisers to the Company as to matters of Cayman Islands law consider that the Dissenting Shareholder's position is in the realm of unrealistic or fanciful, and the prospect of the Dissenting Shareholder to obtain such leave to be low and it is very difficult to obtain a suspension of execution.

In the event that the Grand Court grants the orders sought by the Company under Event A and in the scenario that:

- (i) the Grand Court and/or the COA grants leave to the appeal (in which event the Dissenting Shareholder has 14 days thereafter to lodge its appeal, and the hearing of the appeal will depend on the availability of the COA at its next sitting, which is expected to be in August 2019);

SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

- (ii) the Company completes the Proposed Restructuring (including the Public Offer) on 25 July 2019 and the Resumption will take place on 26 July 2019 as scheduled;
- (iii) the hearing of that appeal is **after** the Company completes the Proposed Restructuring and the Resumption; and
- (iv) the Dissenting Shareholder is successful with its arguments on appeal,

the Company's legal advisers as to matters of Cayman Islands law advised that the loss to the Dissenting Shareholder by way of any damages award (against the Company) will be nominal given, in fact, upon completion of the Proposed Restructuring and the Resumption, the Dissenting Shareholder will receive a significant benefit qua its shareholding in the Company.

In view of the above, the Proposed Directors consider that the impact of legal proceedings from the Dissenting Shareholder on the Proposed Restructuring (including the Public Offer) is to be minimal.

In the event that (i) the Appeal Deadline is on or before 24 July 2019; and (ii) the Dissenting Shareholder does not apply for leave to appeal the Orders or order for suspension of execution by the Appeal Deadline, given the Dissenting Shareholder is barred from making any application for appeal of the Orders after the Appeal Deadline, the Company will complete the Proposed Restructuring (including the Public Offer) on 25 July 2019 as scheduled.

However, in the event that (i) the Appeal Deadline is on or before 24 July 2019 and the Dissenting Shareholder applies for leave to appeal the orders or order for suspension of execution by the Appeal Deadline; **OR** (ii) the Appeal Deadline is beyond 24 July 2019 and the Company does not receive an irrevocable undertaking from the Dissenting Shareholder that it will not take further action for appeal by 24 July 2019 to the satisfaction of SFC and the Stock Exchange, the Company will announce its withdrawal of the Public Offer on 25 July 2019. Refund cheques in respect of the Public Offer will be despatched to the applicants within five Business Days from the date of the announcement.

Consequence if the Dissenting Shareholder take actions in Hong Kong Court

The Company's legal adviser as to Hong Kong laws opined that, in principle, if the Dissenting Shareholder considers itself to be aggrieved by the Chairman's Decision, it could take out an application to the High Court to set aside the resolutions passed in the EGM. Yet the subject matter herein concerns the power and authority of the Chairman in the EGM, which is essentially the interpretation of Article 77 of the Existing Articles. As the Existing Articles are governed by Cayman Islands law, this is in essence a matter under Cayman Islands law, and the most appropriate forum for determining the issue would be the Grand Court, and not the High Court. Further, as the Company has filed the Declaratory Summons, any subsequent attempt by the

SPECIFIC RISK ASSOCIATED WITH THE PROPOSED RESTRUCTURING

Dissenting Shareholder to seek the High Court's assistance in relation to the same issue will have to be stayed pending the decision of the Grand Court in relation to the Declaratory Summons.

Consequence if the Creditors' Scheme does not become effective

In respect of the Creditors' Scheme sanction hearing on 8 July 2019 (Cayman Islands time) and the Creditors' Scheme sanction hearing on 9 July 2019 (Hong Kong time) for the Grand Court and the High Court respectively, all dissenting creditors and members of the Company are entitled to be heard on the petition for sanction. If any objection is raised by any dissenting creditors and members of the Company and such objection can be dealt with in a short time, the Company may request the courts to dismiss the objection in the sanction hearing. However, if the objection needs time for hearing and consideration, the courts will likely adjourn the petition to be heard on another day. If the courts do not sanction the Creditors' Scheme and the Creditors' Scheme does not become effective by 25 July 2019, i.e. the expected completion date of the Proposed Restructuring, the Public Offer will not become unconditional. Refund cheques in respect of the Public Offer will be despatched to the applicants within five Business Days from the date of the announcement.

Announcement will be made when any of the scenarios occurs.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

PARTIES' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Liquidators collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to the Company. The Liquidators, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

This prospectus, for which the Proposed Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to Yu Ming. The Proposed Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERWRITING

This prospectus is published solely in connection with the Public Offer and the Preferential Offering. For applicants under the Public Offer and the Preferential Offering, this prospectus and the Application Forms set out the terms and conditions of the Public Offer and the Preferential Offering.

The New Listing Application is sponsored by Emperor Capital Limited. The Public Offer (including the Preferential Offering) is fully underwritten by the Underwriter subject to the terms and conditions of the Underwriting Agreement. For further information about the Underwriter and the underwriting arrangements, please refer to the section headed "Underwriting" in this prospectus.

INFORMATION ON THE PUBLIC OFFER

The Offer Shares are offered solely on the basis of the information contained and the representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Sponsor, the Underwriter, any of their respective directors, officers, agents, employees or advisers or any other party involved in the Public Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

Details of the structure of the Public Offer, including its conditions and grounds for termination, are set out in the section headed “Structure and conditions of the Public Offer and the Preferential Offering” in this prospectus, and the procedures for applying for the Offer Shares are set out in the section headed “How to apply for Offer Shares and Reserved Shares” in this prospectus and on the relevant Application Forms.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Group and/or Yu Ming since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Prospective applicants for the Offer Shares and/or the Reserved Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares and/or the Reserved Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and/or the Reserved Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

RESTRICTIONS ON OFFER AND SALES OF THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and the related Application Forms may not be used for the purpose of, and do not constitute, an offer or invitation, nor are they calculated to invite or solicit offers in any jurisdiction (save for the Overseas Shareholder as described in the section headed “Letter from the Liquidators – Excluded Shareholders” in this prospectus) or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

Each person acquiring the Offer Shares (including the Reserved Shares) will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the Application Forms, and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the Application Forms, and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States of America, except in compliance with the relevant laws and regulations of each of such jurisdiction.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the listing of, and permission to deal in, the New Shares in issue and to be issued pursuant to the YM Subscription, the New Placing and the Public Offer (including the New Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme). No part of the share or loan capital of the Company is listed or dealt in on any other stock exchange and, at present, no such listing or permission to deal is being or is proposed to be sought on any other stock exchange in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application for Offer Shares will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

Pursuant to Rule 8.08(1)(a) of the Listing Rules, at least 25% of the total issued share capital of the Company must at all times be held by the public. Accordingly, no less than 25% of the total issued share capital of the Company will be held by the public immediately following completion of the YM Subscription, the New Placing and the Public Offer (without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme).

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares (including the Reserved Shares) are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing, purchasing, holding or disposing of, or dealings in, the Offer Shares. It is emphasized that none of the Company, the Sponsor, the Underwriter, any of their respective directors, agents or advisers or any other party involved in the Public Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription, purchase, holding or disposal of, or dealings in, the Offer Shares, or the exercise of any rights in relation to the Offer Shares.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Subject to compliance with the Articles, the fully paid Offer Shares are freely transferable. All the Offer Shares will be registered in the Company's branch share register maintained in Hong Kong by the Hong Kong Branch Share Registrar, Hong Kong Registrars Limited. The principal register of members is maintained in the Cayman Islands by the Company's principal share registrar and transfer office in the Cayman Islands, Conyers Trust Company (Cayman) Limited. Only New Shares registered on the branch register of members of the Company maintained in Hong Kong may be traded on the Stock Exchange unless the Stock Exchange otherwise agree.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

Dealings in the New Shares registered in the Company's branch share register maintained in Hong Kong will be subject to Hong Kong stamp duty. The current ad valorem rate of Hong Kong stamp duty of 0.1% on the higher of the consideration for, or the market value of, the New Shares is charged to the purchaser on every purchase and to the seller on every sale of the New Shares. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the New Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

NEW SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the New Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Resumption Date or subject to contingent situation, any other date determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Offer Shares to be admitted into CCASS. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interests.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER

Details of the structure of the Public Offer, including its conditions and grounds for termination, are set out under the section headed "Structure and conditions of the Public Offer and the Preferential Offering" in this prospectus.

PROCEDURES FOR APPLICATION FOR THE OFFER SHARES AND THE RESERVED SHARES

The procedures for applying for the Offer Shares and the Reserved Shares are set out under the section headed "How to apply for Offer Shares and Reserved Shares" in this prospectus and on the relevant Application Forms.

COMMENCEMENT OF DEALINGS IN THE NEW SHARES

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 26 July 2019, it is expected that resumption on dealings of the New Shares in issue and the dealings in the Offer Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 26 July 2019. The New Shares will be traded in board lots of 5,000 New Shares each. The stock code of the New Shares will be 1073.

INFORMATION ABOUT THIS PROSPECTUS AND THE PUBLIC OFFER

The Offer Shares (including the Reserved Shares) will be traded in board lots of 5,000 New Shares each. 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. For further details of the Preferential Offering and the Assured Entitlement, please refer to the section headed “Structure and conditions of the Public Offer and the Preferential Offering – The Preferential Offering” in this prospectus.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

EXCHANGE RATES CONVERSION

For exchange rates translations throughout this prospectus (if any), we make no representation and none should be construed as being made, that any of the amounts contained in this prospectus could have been or could be converted into amounts of any other currency at any particular rate or at all on such date or any other date.

INDUSTRY OVERVIEW

This section contains certain information which has been directly or indirectly derived, in part, from various governmental, official and other, publicly available documents, the internet or other sources. The Liquidators believe that the sources of this information are appropriate and have taken reasonable care in extracting, compiling and reproducing such information. The Liquidators have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Company, the Sponsor, the Liquidators, the Vendor or Yu Ming, or any of their respective directors, officers, advisers or representatives or any other person involved in the Resumption Proposal, and therefore may not be accurate, complete or up-to-date. The Company makes no representation (express or implied) as to the accuracy, completeness or fairness of such information and accordingly the information contained in this section should not be unduly relied upon.

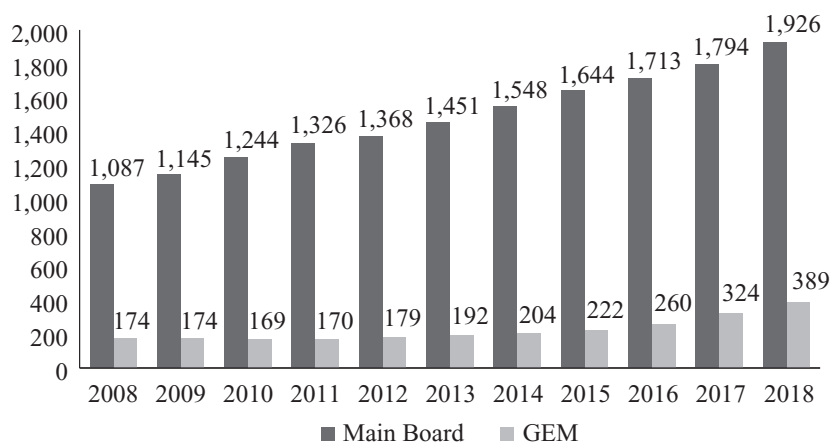
In respect of the information which has been directly or indirectly derived from the Stock Exchange's documents or its website, the Stock Exchange and its subsidiaries do not guarantee the accuracy, completeness or reliability of the information and do not accept any liability (whether in tort, contract or otherwise) for any loss or damage arising from any inaccuracy or omission in the information; or for any decision, action or non-action based on or in reliance upon any such information by any person.

OVERVIEW OF CORPORATE FINANCE ADVISORY BUSINESS IN HONG KONG

Number of listed companies and newly listed companies in Hong Kong

The Stock Exchange operates two markets, the Main Board and GEM. Eligible companies may be listed on either market. The Main Board is a market for companies that satisfy the Stock Exchange's profit or other financial standards requirements under the Listing Rules as at the time of listing, while GEM has admission requirements largely in line with Main Board but less stringent.

The number of listed companies on the Stock Exchange rose from 1,261 in 2008 to 2,315 in 2018, with a CAGR of approximately 6.3%, of which approximately 83% were listed on the Main Board. The chart below shows the number of companies listed on the Stock Exchange (both Main Board and GEM) as at the respective year end date on 31 December, from 2008 to 2018:



Source: SFC website – Market and industry statistics

INDUSTRY OVERVIEW

The table below shows the number of newly listed companies on the Stock Exchange (both Main Board (including transfer of listing from GEM) and GEM) during the period from 2008 to 2018:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Main Board	47	68	106	88	52	87	103	104	81	94	143
GEM	<u>2</u>	<u>5</u>	<u>7</u>	<u>13</u>	<u>12</u>	<u>23</u>	<u>19</u>	<u>34</u>	<u>45</u>	<u>80</u>	<u>75</u>
Total	<u><u>49</u></u>	<u><u>73</u></u>	<u><u>113</u></u>	<u><u>101</u></u>	<u><u>64</u></u>	<u><u>110</u></u>	<u><u>122</u></u>	<u><u>138</u></u>	<u><u>126</u></u>	<u><u>174</u></u>	<u><u>218</u></u>

Source: SFC website – Market and industry statistics

The majority of newly listed companies were listed on the Main Board but the relative percentage, as well as the total number, has fluctuated in past ten years. In 2018, there was a total of 218 companies newly listed on the Main Board and GEM, representing a CAGR of approximately 16.1% since 2008. Companies listed on the Main Board range from conglomerates and banks to utilities and property developers.

From 2013 to 2018, over 100 new companies had been listed on the Main Board and GEM each year. The increase in number of companies listed on the Stock Exchange increased the potential demand for corporate financial advisory services whether by listed companies or shareholders of and potential investors in listed companies and create more business opportunities for corporate finance advisory firms.

Equity fund raising in Hong Kong

With the increasing number of listed companies in Hong Kong, the level of equity fund raising on the Stock Exchange, whether through IPOs or other new issue, has been active, though the amount of funds raised has been volatile in the past years. According to the market and industry statistics of the SFC, the equity funds raised on the Main Board during the year 2015 reached approximately HK\$1,087 billion. Equity funds raised on the Main Board during the year 2016 to 2018 dropped to between approximately HK\$471.2 billion and HK\$530.8 billion, representing a CAGR of approximately 7.5% for the period from 2013 to 2018. During the same period, the equity funds raised on GEM have increased less rapidly, recording a CAGR of approximately 3.7%.

INDUSTRY OVERVIEW

Set out below is a breakdown of equity funds raised directly and indirectly on the Main Board and GEM between 2008 and 2018:

<i>(Approximately HK\$ billion)</i>	Initial public offering	Rights issue	Placing	Others	Total
Main Board					
2008	65.8	47.6	54.2	250.6	418.2
2009	247.9	177.3	140.6	72.0	637.8
2010	448.8	181.9	133.0	81.8	845.5
2011	258.5	63.8	63.0	97.5	482.8
2012	88.9	29.6	134.6	47.1	300.2
2013	165.8	30.8	98.0	75.2	369.8
2014	230.4	78.6	295.5	325.0	929.5
2015	258.6	116.5	424.1	287.8	1,087.0
2016	190.7	53.8	147.1	79.6	471.2
2017	122.6	56.5	335.3	53.0	567.4
2018	281.4	32.2	137.5	79.7	530.8
GEM					
2008	0.2	0.3	3.7	4.8	9.0
2009	0.4	0.7	2.5	0.8	4.4
2010	0.6	1.4	7.7	3.5	13.2
2011	1.3	1.4	2.9	1.9	7.5
2012	1.1	1.1	1.8	1.1	5.1
2013	3.2	0.6	3.5	1.8	9.1
2014	2.2	3.5	4.9	2.8	13.4
2015	2.7	5.1	12.2	1.9	21.9
2016	4.6	3.5	7.0	3.8	18.9
2017	5.9	2.5	4.0	1.6	14.0
2018	5.1	0.3	2.6	2.9	10.9

Source: SFC website – Market and industry statistics

As shown from the table above, overall performance of the equity fund raising market fluctuates from year to year. There is no particular trend in terms of the quantitative amount of the overall equity funds raised during these years.

The equity funds raised by way of rights issue, placing and other methods such as by way of warrants exercised, consideration issue and share option scheme on the Main Board during the year 2018 were approximately HK\$32.2 billion, HK\$137.5 billion and HK\$79.7 billion respectively, representing a CAGR of approximately 0.9%, 7.0% and 1.2% over the years from 2013 to 2018 respectively.

The GEM was established as an alternative market to the Main Board in November 1999 to provide capital formation opportunities for growth companies. Amendments to the GEM Listing Rules, which took effect on July 2008, introduced a streamlined process for

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GEM listed companies to transfer listing to the Main Board, thus repositioning GEM as a stepping stone to the Main Board. Compared to the Main Board, the GEM tends to be much smaller in both the number of listed companies and market capitalisation.

As shown from the table above, the equity funds raised by way of rights issue, placing and other methods such as by way of warrants exercised, consideration issue and share option scheme on GEM during the year 2018 were approximately HK\$0.3 billion, HK\$2.6 billion and HK\$2.9 billion, representing a CAGR of approximately -13.0%, -5.8% and 10.0% over the years from 2013 to 2018 respectively.

Fund raising through rights issue, placing and issues of new shares to satisfy considerations of acquisitions are common amongst Hong Kong listed companies, for which financial advisory and/or independent financial advisory services are often required. Corporate finance advisory firms could therefore benefit from these increased fund raising activities for providing advice on such rights issue, placings and mergers and acquisitions transactions.

Takeovers Code related matters

As set out in the section headed “Business of Yu Ming” of this prospectus, Yu Ming’s corporate finance advisory business includes acting as financial adviser in connection with takeovers and to the Takeovers Code related matters. The aforementioned growth in the number of listed companies on the Stock Exchange in the past decade has led to a widened pool of potential clients and thereby a rise in potential demand for financial advisory services relating to the Takeovers Code.

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According to the statistics available from SFC's annual report 2017-2018, there were 289 Takeovers Code related applications and 112 Takeovers Code related transactions as compared to 367 Takeovers Code related applications and 127 Takeovers Code related transactions as mentioned in SFC's annual report 2016-2017. Throughout the period from 2006 to 2018 there have also been a steady number of such transactions and applications. In view of the above, the Liquidators believe that the outlook of the corporate finance advisory business relating to the Takeovers Code will be positive, which is beneficial to the prospect of Yu Ming's corporate finance services. Set out below is a breakdown of takeover activities from 2006/07 to 2017/18:

	Number of Takeovers Code related transactions	Number of other applications under the Takeovers Code or Code on Share Buy-backs	Total
2006/07	69	215	284
2007/08	99	258	357
2008/09	74	192	266
2009/10	96	267	363
2010/11	67	237	304
2011/12	71	212	283
2012/13	66	185	251
2013/14	81	209	290
2014/15	96	288	384
2015/16	109	326	435
2016/17	127	367	494
2017/18	112	289	401

Source: SFC website – Annual reports

Competitive environment in the corporate finance advisory industry

Any corporation and person carrying out regulated activities have to be licensed or registered with the SFC unless specific exemption is provided. Details of the regulatory environment are set out in the section headed "Regulatory Overview" of this prospectus.

One of the main businesses of Yu Ming during the Track Record Period, being corporate financial advisory services including financial advisory, independent financial advisory and retainer engagements, are principally covered under the Type 6 (advising on corporate finance) regulated activity which Yu Ming is licensed to carry out.

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Yu Ming is also licensed to carry out Type 1 (dealing in securities) regulated activity, which allows Yu Ming to participate in fund raising activities, including acting as placing agent and/or underwriter for listed companies. Set out below is the number of licensed corporations, registered institutions, responsible/approved officers and licensed representatives for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as at the end of the past five years ended 31 December 2018:

	Licensed corporations	Registered institutions	Responsible/ approved officers	Licensed representatives
Type 1 (dealing in securities)				
2014	973	117	3,284	24,656
2015	1,024	118	3,434	25,765
2016	1,129	121	3,770	25,866
2017	1,247	119	4,163	26,309
2018	1,350	117	4,625	27,008
Type 6 (advising on corporate finance)				
2014	267	37	893	3,828
2015	275	35	909	4,051
2016	288	33	963	4,122
2017	315	35	1,067	4,408
2018	331	35	1,172	4,828

Source: SFC website – Market and industry statistics

Type 1 (dealing in securities) regulated activity is highly competitive, with 1,350 licensed corporations and 117 registered institutions eligible to carry out such regulated activity as at 31 December 2018. In terms of individuals, there were 4,625 responsible/approved officers and 27,008 licensed representatives to carry out Type 1 (dealing in securities) regulated activity as at 31 December 2018.

As shown from the above table, there were 331 licensed corporations and 35 registered institutions licensed to carry out Type 6 (advising on corporate finance) regulated activity as at 31 December 2018. In terms of individuals, there were 1,172 responsible/approved officers and 4,828 licensed representatives to carry out Type 6 (advising on corporate finance) regulated activity as at 31 December 2018. Because of the number of qualified participants, the Liquidators consider that Yu Ming operates in a highly competitive environment in respect of the corporate finance business.

In view of the gradual increasing number of licensed corporations, the Liquidators consider that the competitive nature of the corporate finance advisory industry may intensify in the future.

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Competitive environment in the asset management industry

Set out below is the number of licensed corporations, registered institutions, responsible/approved officers and licensed representatives for Type 9 (asset management) regulated activity as at the end of the past five years ended 31 December 2018:

	Licensed corporations	Registered institutions	Responsible/ approved officers	Licensed representatives
2014	1,031	43	2,501	5,228
2015	1,135	42	2,751	5,821
2016	1,300	40	3,177	6,366
2017	1,477	36	3,576	6,954
2018	1,643	35	4,101	7,588

Source: SFC website – Market and industry statistics

Entry barriers

Despite the large number of market competitors, the Liquidators consider that certain barriers of entry exists which limit new firms from entering into the corporate finance advisory and asset management industry in Hong Kong, namely:

- (i) the licensing requirement for a corporate finance advisory and asset management firm to conduct regulated activities under the SFO;
- (ii) the requirement for such firms to employ skilled professionals as licensed representatives and responsible officers to conduct regulated activities under the SFO;
- (iii) the requirement to maintain a minimum paid-up share capital and liquid capital at all times pursuant to the relevant requirements under the SFO. In the case of Type 6 (advising on corporate finance) regulated activity where the corporation is not subject to the licensing condition that it shall not hold client assets, the minimum liquid capital requirement is HK\$3,000,000. In the case of Type 6 (advising on corporate finance) regulated activity where the corporation will not act as a sponsor, which is the case of Yu Ming, the minimum paid-up share capital and the minimum liquid capital requirement is HK\$5,000,000 and HK\$3,000,000 respectively; and
- (iv) for its asset management business, Yu Ming has provided investment management services to SHK for over 20 years, has formed an understanding of the investment objectives of SHK and knowledgeable with the investment process of SHK.

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In respect of Type 6 (advising on corporate finance) regulated activity, the SFC can also impose licensing conditions, for example, to restrict the licensee to advise on matters/ transactions falling within the ambit of the Takeovers Code. Save for the condition that Yu Ming shall not act as sponsor, there is no licensing condition that applies to the Type 6 (advising on corporate finance) regulated activity of Yu Ming.

ASSET MANAGEMENT OVERVIEW

For the asset management business, Yu Ming solely manages SHK Hong Kong Industries Limited, an investment company listed on the Stock Exchange under Chapter 21 of the Listing Rules.

The table below shows (i) all the investment managers that manages investment companies listed on the Stock Exchange under Chapter 21 of the Listing Rules (“**Chapter 21 Companies**”) and (ii) the respective names and net asset values (as disclosed in their respective latest published annual reports or interim reports up to the Latest Practicable Date) of the Chapter 21 Companies under their management:

Investment managers	Chapter 21 Companies	Approximate net asset value (HK\$'000)
Tianhe Quant Asset Management Limited	China Ding Yi Feng Holdings Limited (formerly known as China Investment Fund International Holdings Limited) (stock code: 612)	368,821
Avia Asset Management Limited	China Financial Leasing Group Limited (stock code: 2312)	134,858
Fortune Legendary Asset Management Limited	Eagle Ride Investment Holdings Limited (stock code: 901)	(52,694)
China Everbright Securities (HK) Limited	China New Economy Fund Limited (stock code: 80)	73,167
China Everbright Securities (HK) Limited	China Investment Development Limited (stock code: 204)	187,150
China Everbright Securities (HK) Limited	Core Economy Investment Group Limited (formerly known as Earnest Investments Holdings Limited) (stock code: 339)	30,682
China Everbright Securities (HK) Limited	Unity Investments Holdings Limited (stock code: 913)	335,291

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Investment managers	Chapter 21 Companies	Approximate net asset value (HK\$'000)
China Everbright Securities (HK) Limited	China Innovation Investment Limited (stock code: 1217)	684,257
China Everbright Securities (HK) Limited	China Investment and Finance Group Limited (stock code: 1226)	427,775
China Financial International Investments & Managements Limited	China Financial International Investments Limited (stock code: 721)	1,308,816
China Merchants China Investment Management Limited	China Merchants China Direct Investments Limited (stock code: 133)	4,485,430
Avia Asset Management Limited	National Investments Fund Limited (stock code: 1227)	(100,495)
Avanta Investment Management Limited	Grand Investment International Ltd. (stock code: 1160)	19,318
Opus Capital Management Limited	Prosperity Investment Holdings Limited (stock code: 310)	240,093
Hua Yu Investment Management Limited	DT Capital Limited (stock code: 356)	182,401
HuaAn Asset Management (Hong Kong) Limited	China Development Bank International Investment Limited (stock code: 1062)	1,623,939
China Everbright Securities (HK) Limited	Capital VC Limited (stock code: 2324)	670,991
Oriental Patron Asia Limited	OP Financial Limited (formerly known as OP Financial Investments Limited) (stock code: 1140)	5,411,660
Shanghai International Asset Management (Hong Kong) Company Limited	Shanghai International Shanghai Growth Investment Limited (stock code: 770)	32,817
Silverstone Investments Limited	China Internet Investment Finance Holdings Limited (stock code: 810)	142,041

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Investment managers	Chapter 21 Companies	Approximate net asset value (HK\$'000)
Tiger Securities Asset Management Company Limited	Cocoon Holdings Limited (formerly known as Huge China Holdings Limited) (stock code: 428)	135,391
Upbest Assets Management Limited	UBA Investments Limited (stock code: 768)	152,319
Yu Ming Investment Management Limited	SHK Hong Kong Industries Limited (stock code: 666)	1,098,295
	Total net asset value:	<u>17,592,323</u>

As shown in the table above, only China Everbright Securities (HK) Limited manages several Chapter 21 Companies and Avia Asset Management Limited manages two Chapter 21 Companies. All other investment managers (including Yu Ming) manage just one Chapter 21 Company, showing that it is a common market practice for investment managers to have one Chapter 21 Company as its client.

REGULATORY OVERVIEW

This section sets out a summary of certain aspects of the laws and regulations which are relevant and material to Yu Ming's business. As this is a summary, information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to Yu Ming.

THE SECURITIES AND FUTURES COMMISSION

Set up in 1989, the SFC is an independent statutory body governed by the SFO, responsible for regulating the securities and futures markets in Hong Kong. The SFC works to ensure orderly securities and futures market operations, to protect investors and help promote Hong Kong as an international financial centre.

As a statutory body, the SFC's work is defined and governed by the SFO which sets out its powers, roles and responsibilities. The SFC derives its investigative, remedial and disciplinary powers from the SFO and subsidiary legislations. The SFC is operationally independent of the Hong Kong Government and is funded mainly by transaction levies and licensing fees.

As set out in the SFO, the SFC's regulatory objectives include:

- to develop and maintain competitive, efficient, fair, orderly and transparent securities and futures markets;
- to help the public understand the workings of the securities and futures industry;
- to provide protection for the investing public;
- to minimise crime and misconduct in the markets;
- to reduce systemic risks in the industry; and
- to assist the Government in maintaining Hong Kong's financial stability.

The SFC is the only Hong Kong financial regulator given the mandate to educate the investing public. Following the enactment of the Securities and Futures (Amendment) Ordinance 2012, the Investor Education Centre was formed as an SFC subsidiary to educate the public on a broad range of retail financial products and services.

The SFC is divided into 5 operational divisions: Corporate Finance, Enforcement, Investment Products, Supervision of Markets and Intermediaries (including Licensing and Intermediaries Supervision). The SFC is also supported by the Legal Services and Corporate Affairs division.

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SECURITIES AND FUTURES ORDINANCE

Effective from 1 April 2003, the SFO consolidated and modernised the 10 previous ordinances regulating the securities and futures market in Hong Kong, including the regulation of securities, futures, leveraged foreign exchange and derivative markets as well as credit ratings, intermediaries and their conduct of regulated activities and the offering of investments to the public in Hong Kong.

To achieve the regulatory objectives under the SFO, the SFC regulates the following participants, including investors, in the securities and futures markets:

- (i) brokers, investment advisers, fund managers and intermediaries carrying out the regulated activities as listed in the sub-section headed “Types of regulated activities” below
- (ii) investment products
- (iii) listed companies
- (iv) Hong Kong Exchanges and Clearing Limited
- (v) automated trading service providers
- (vi) approved share registrars
- (vii) Investor Compensation Company Limited
- (viii) market participants (including investors)

Types of regulated activities

“Intermediary” means a licensed corporation or a registered institution under Schedule 1 Interpretation and General Provisions of the SFO.

Schedule 5 to the SFO stipulates 12 types of regulated activities that can be carried on by intermediaries and provides a detailed definition for each of them.

These regulated activities are:

- Type 1 Dealing in securities
- Type 2 Dealing in futures contracts
- Type 3 Leveraged foreign exchange trading
- Type 4 Advising on securities
- Type 5 Advising on futures contracts

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- Type 6 Advising on corporate finance
- Type 7 Providing automated trading services
- Type 8 Securities margin financing
- Type 9 Asset management
- Type 10 Providing credit rating services
- Type 11 Dealing in OTC derivative products or advising on OTC derivative products ^{Note 1}
- Type 12 Providing client clearing services for OTC derivative transactions ^{Note 2}

Notes:

1. Not yet in operation.
2. The new Type 12, Part 1, Schedule 5 added by the Securities and Futures (Amendment) Ordinance 2014 (6 of 2014) came into operation on 1 September 2016, in so far as it relates to paragraph (c) of the new definition of excluded services in Part 2 of Schedule 5 of the SFO.

Persons conducting business in such regulated activities are generally required to be licensed or registered with the SFC. The regulated activities that they are permitted to carry out are specified on their licences or certificates of registration.

Details of licensed individuals are available at the SFC's online Public Register of Licensed Persons and Registered Institutions. The SFC issues printed licences for licensed corporations and certificates of registration for registered institutions and these licences must be exhibited prominently at their places of business.

Types of intermediaries regulated by the SFC

According to the SFO, the types of intermediaries comprise the following:

1. Licensed corporation:

A corporation (not being an authorised financial institution) which is granted a licence to carry on one or more than one regulated activity under section 116 of the SFO; and

Temporary licensed corporation:

A corporation (not being an authorised financial institution) which is granted a temporary licence to carry on, for a period not exceeding 3 months, one or more than one regulated activity under section 117 of the SFO.

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2. *Responsible officer:*

A licensed representative who is also approved as a responsible officer under section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he is accredited.

3. *Licensed representative:*

An individual who is granted a licence under section 120(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited;

Provisional licensed representative: an individual who is granted a provisional licence under section 120(2) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited (prior to the grant of his licence under section 120(1) of the SFO); and

Temporary licensed representative:

An individual who is granted a temporary licence under section 121 of the SFO to carry on, for a period not exceeding 3 months, one or more than one regulated activity for a corporation licensed under section 116 or 117 to which he is accredited.

4. *Registered institution:*

An authorised financial institution which is registered to carry on one or more than one regulated activity under section 119 of the SFO, where an authorised financial institution means an authorised institution as defined in section 2(1) of the Banking Ordinance (i.e. a bank, a restricted licence bank or a deposit-taking company).

Licensing regime under the SFO

The SFC acts as a gatekeeper of standards for individuals and corporations who seek to enter the securities and futures markets of Hong Kong, and its functions include the following:

- grant licences to those who are appropriately qualified and can demonstrate their fitness and properness to be licensed under the SFO;
- maintain a public register of licensed persons and registered institutions;
- monitor the on-going compliance of licensing requirements by licensees, substantial shareholders of licensed corporations and directors of licensed corporations and substantial shareholders; and
- initiate policies on licensing issues

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The SFC operates a system of authorising corporations and individuals (through licences) to act as financial intermediaries. Under the SFO, a corporation which is not an authorised financial institution (as defined in section 2(1) of the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) and is:

- (a) carrying on a business in a regulated activity (or holding itself out as carrying on a regulated activity); or
- (b) actively marketing, whether in Hong Kong or from a place outside Hong Kong, to the public any services it provides, which would constitute a regulated activity if provided in Hong Kong,

must be licensed by the SFC to carry on the regulated activities, unless one of the exemptions under the SFO applies.

Fit and proper criteria

Section 116(3) of the SFO provides that the SFC shall refuse to grant a licence to carry on a regulated activity unless the applicant for licence satisfies the SFC that, inter alia, the applicant is a fit and proper person to be licensed for the regulated activity.

Section 129(1) of the SFO provides that in considering whether a person, an individual, corporation or institution, is fit and proper for the purposes of licensing or registration, the SFC shall, in addition to any other matter that the SFC may consider relevant, have regard to the following:

- financial status or solvency;
- educational or other qualifications or experience having regard to the nature of the functions to be performed;
- ability to carry on the regulated activity concerned competently, honestly and fairly; and
- reputation, character, reliability and financial integrity of the applicant and other relevant persons as appropriate.

It is also provided that the above criteria must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation) or the institution, its directors, chief executive, managers and executive officers (if an authorised financial institution).

The Fit and Proper Guidelines apply to a number of persons including the following:

1. an individual who applies for licence or is licensed under Part V of the SFO;
2. a licensed representative who applies for approval or is approved as a responsible officer under Part V of the SFO;

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3. a corporation which applies for licence or is licensed under Part V of the SFO;
4. an authorised financial institution which applies for registration or is registered under Part V of the SFO;
5. an individual whose name is to be or is entered in the register maintained by the Hong Kong Monetary Authority under section 20 of the Banking Ordinance; and
6. an individual who applies to be or has been given consent to act as an executive officer of a registered institution under section 71C of the Banking Ordinance.

Furthermore, section 129(2) of the SFO empowers the SFC to take into consideration any of the following matters in considering whether a person is fit and proper:

- (a) decisions made by such relevant authorities as stated in section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, in respect of that person;
- (b) in the case of a corporation, any information relating to:
 - (i) any other corporation within the group of companies; or
 - (ii) any substantial shareholder or officer of the corporation or of any of its group companies;
- (c) in the case of a corporation licensed under section 116 or section 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:
 - (i) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
 - (ii) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
- (d) in the case of a corporation licensed under section 116 or section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- (e) the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse to grant a licence or registration if the applicant fails to satisfy the SFC that the applicant is a fit and proper person to be licensed. The onus is on the applicant to prove to the SFC that the applicant is fit and proper to be licensed for the regulated activity.

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Licensed corporation

For application as a licensed corporation, the company has to satisfy the SFC that it has a proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks that it will encounter in carrying on the proposed business as detailed in the business plan submitted to the SFC. Detailed guidelines to meet the requirements and expectations of the SFC are contained in the following:

- Guidelines on Competence;
- Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (“**The SFC Code of Conduct**”);
- Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the Securities and Futures Commission (“**The Internal Control Guidelines**”);
- Corporate Finance Adviser Code of Conduct.

To comply with the regulatory requirements of the SFC as mentioned above, Yu Ming was granted licences for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities by the SFC since 6 December 2005.

Yu Ming’s licences as published on the SFC’s Public Register of Licensed Persons and Registered Institutions is subject to the following condition which, in the view of the Proposed Directors, has no material impact on the businesses of Yu Ming:

In respect of Type 6 (advising on corporate finance) regulated activity, with effect from 1 January 2007, Yu Ming shall not act as sponsor in respect of an application for the listing on a recognized stock market of any securities.

In respect of Type 9 (asset management) regulated activity, Yu Ming shall not provide a service of managing a portfolio of futures contracts for another person.

There is no condition imposed by the SFC on Type 1 (dealing and securities) and Type 4 (advising on securities) licence granted to Yu Ming.

Responsible officers

For each regulated activity, a licensed corporation should appoint not less than two responsible officers to directly supervise the said regulated activity, at least one of the proposed responsible officers must be an executive director of the licensed corporation. For each regulated activity for which the licensed corporation applies, the licensed corporation should have at least one responsible officer available at all times to supervise the business. The same individual may be appointed to be a responsible officer for more than one

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regulated activity provided that he is fit and proper to be so appointed and there is no conflict in the roles assumed. All executive directors must seek SFC's prior approval as responsible officers.

Qualification and experience required for being a responsible officer

A person who intends to apply to be a responsible officer must demonstrate that he fulfils the requirements on both competence and sufficient authority. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's regulated activity or activities. Accordingly, the applicant has to fulfil certain requirements on academic and industry qualifications, industry experience, management experience and regulatory knowledge as stipulated by the SFC.

Where an individual applies to carry on a Type 6 (advising on corporate finance) regulated activity and intends to give advice on matters falling within the ambit of the Takeovers Code, he should satisfy the SFC that he has sufficient experience in this area. If the SFC is not satisfied that he is competent to acting on his own to advise on Code-related matters, certain conditions may be imposed on his licence limiting the scope of his work.

Licensed representative

An individual is required to be a licensed representative if he/she is performing a regulated function for his/her principal which is a licensed corporation in relation to a regulated activity carried on as a business, or if he/she holds himself/herself out as performing such a function.

Qualification and experience required for being a licensed representative

A person who intends to apply to be a licensed representative must demonstrate his/her competence. An applicant has to establish that he/she has the requisite basic understanding of the securities market in which he/she is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence to be licensed as a licensed representative, the SFC will have regard to the applicant's academic and industry qualifications and regulatory knowledge.

Minimum capital requirements and the FRR

Licensed corporations are required under section 145 of the SFO to maintain at all times a minimum level of paid-up share capital and liquid capital. Depending on the types of regulated activity that the licensed corporation is applying for, licensed corporation has to maintain at all times paid-up share capital and liquid capital not less than the specified amounts according to the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets (the values of which are subject to adjustments to cater for factors such as illiquidity and credit risks as prescribed under Division 3 of Part 4 of the FRR) and ranking liabilities (being the sum of the liabilities on the balance sheet after adjustments to cater for factors such as market risks and contingency as prescribed under Division 4 of Part 4 of the FRR) of a licensed corporation and its liquid assets must exceed

REGULATORY OVERVIEW

its ranking liabilities. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the higher or the highest amount required amongst those regulated activities.

The following table summarises the minimum paid-up capital and liquid capital that a licensed corporation is required to maintain for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities:

Regulated activity	Minimum paid-up share capital	Minimum amount of required liquid capital
<i>Type 1: Dealing in securities</i>		
(i) in the case where the corporation provides securities margin financing	HK\$10,000,000	HK\$3,000,000
(ii) in the case where the corporation is an approved introducing agent or trader	Not applicable	HK\$500,000
(iii) in any other case	HK\$5,000,000	HK\$3,000,000
<i>Type 4: Advising on securities</i>		
(i) in the case where the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(ii) in any other case	HK\$5,000,000	HK\$3,000,000
<i>Type 6: Advising on corporate finance</i>		
(i) in the case where the corporation acts as a sponsor:		
– hold client assets	\$10,000,000	\$3,000,000
– not hold client assets	\$10,000,000	\$100,000
(ii) in the case where the corporation does not act as a sponsor:		
– hold client assets	\$5,000,000	\$3,000,000
– not hold client assets	Not applicable	\$100,000
<i>Type 9: Asset management</i>		
(i) in the case where the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(ii) in any other case	HK\$5,000,000	HK\$3,000,000

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Minimum paid-up share capital

Yu Ming, being a corporation licensed to carry on Type 1 (dealing in securities) but does not provide securities margin financing, Type 4 (advising on securities), Type 6 (advising on corporate finance) but does not undertake sponsor work, and Type 9 (asset management) regulated activities under the SFO, is required to maintain minimum paid-up share capital at the highest amounts amongst the regulated activities it participates in, being HK\$5,000,000.

Minimum amount of required liquid capital

Pursuant to the FRR, a licensed corporation shall maintain a minimum liquid capital at all times of an amount which is the higher of (a) the amount set out in the table above; and (b) 5.0% of the aggregate of the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO.

Pursuant to the FRR, Yu Ming shall also maintain at all times a minimum liquid capital of HK\$3.0 million.

Payment of annual fees

Under section 138(2) of the SFO, a licensed corporation, a licensed person and a registered institution shall pay to the SFC annual fees within one month after each anniversary of the date of grant of the licence or certificate of registration (as the case may be), or on such other date as may be approved by the SFC by notice in writing. Details of the annual fees applicable to the four types of regulated activities engaged by Yu Ming are as follows:

Type of intermediary	Annual fees for regulated activities
Licensed corporation	HK\$4,740 per regulated activity
Licensed representative (not approved as responsible officer)	HK\$1,790 per regulated activity
Licensed representative (approved as responsible officer)	HK\$4,740 per regulated activity

The SFC issued a circular on 24 March 2016 waiving the annual licensing fee for all licensed corporations, responsible officers and licensed representatives from 1 April 2016 to 31 March 2018 and issued a further circular on 15 March 2018 waiving the annual license fee for all licensed corporations, responsible officers and licensed representatives from 1 April 2018 to 31 March 2019. From 1 April 2019 to 31 March 2021, all annual licensing fees payables by each licensed corporation, registered institution, responsible officer and license representative are eligible for the concession rate of 50% of the annual licensing fees.

REGULATORY OVERVIEW

CONTINUING COMPLIANCE OBLIGATIONS

Remaining fit and proper

Licensed corporations, licensed persons and registered institutions must remain fit and proper at all times and comply with all applicable provisions of the SFO and its subsidiary legislation as well as the codes and guidelines issued by the SFC.

Submission of audited accounts

A licensed corporation must submit its audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong). Such rules prescribe the contents of the annual accounts and the auditor's report of such accounts to be submitted by licensed corporations to the SFC. Licensed corporations and associated entities of intermediaries (except for those which are authorised financial institutions) are required to submit their audited accounts and other required documents within four months after the end of each financial year as required under section 156(1) of the SFO.

Submission of financial resources returns

Licensed corporations are required to submit monthly financial resources returns to the SFC except for those licensed corporations for only Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 9 (asset management) and/or Type 10 (providing credit rating services) regulated activities and their licences are subject to the condition that they shall not hold client assets. For such excepted cases, the licensed corporations concerned shall submit semi-annual financial resources returns to the SFC as required under section 56 of the FRR.

Record keeping requirements

A licensed corporation must keep records in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong), which requires licensed corporations to keep proper records. It prescribes the records that are to be kept by licensed corporations to ensure that they maintain comprehensive records in sufficient detail relating to their businesses and client transactions for proper accounting of their business operations and clients' assets.

Notification to the SFC of certain changes and events

A licensed corporation and licensed representative must notify the SFC of certain changes and events, in accordance with the requirements under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong). Such changes and events which require notification include, among others, changes in the basic information of the licensed corporation, its controlling persons and responsible officers, or subsidiaries that carry on a business in a regulated activity, changes in the capital and shareholding structure of the licensed corporation, and significant changes in business plan.

REGULATORY OVERVIEW

Continuous professional training

Pursuant to section 399 of the SFO, a licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. A licensed corporation should at least annually evaluate the training needs of the individuals they engage.

The SFC has issued a guideline entitled “Guidelines on Continuous Professional Training” pursuant to section 399 of the SFO. There is the annual requirement that every licensed individual must undertake at least five hours each calendar year of continuous professional training for each type of regulated activity except for Type 7 (providing automated trading services) regulated activity. Failure to comply with the guidelines on continuous professional training may reflect adversely on the fitness and properness of a person to continue to carry on the regulated activity.

Obligation for substantial shareholders

Under section 132 of the SFO, a person (including a corporation) has to apply for SFC’s approval prior to becoming or continuing to be, as the case may be, a substantial shareholder of a corporation licensed under section 116 of the SFO. A person who has become aware that he has become a substantial shareholder of a licensed corporation without SFC’s prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

Accountability of senior management

Pursuant to General Principle 9 of the Code of Conduct for Persons Licensed by or Registered with the SFC (Code of Conduct), the “senior management of a licensed or registered person should bear primary responsibility for ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the firm. In determining where responsibility lies, and the degree of responsibility of a particular individual, regard shall be had to that individual’s apparent or actual authority in relation to the particular business operations”.

Senior management of a licensed corporation includes, among others: (a) directors of the corporation, (b) responsible officers of the corporation, and (c) managers appointed by a licensed corporation to be principally responsible for managing the core functions of the corporation (the “Managers-In-Charge”).

The SFC considers that for each core function of a licensed corporation, there should be at least one fit and proper individual appointed by the corporation as its Manager-In-Charge responsible for managing that function. The core functions are:

- (i) overall management oversight
- (ii) key business line

REGULATORY OVERVIEW

- (iii) operational control and review
- (iv) risk management
- (v) finance and accounting
- (vi) information technology
- (vii) compliance
- (viii) anti-money laundering and counter-terrorist financing.

A licensed corporation should submit details of the Manager-In-Charge and an organisational chart to the SFC and notify the SFC of any changes in its appointment or particulars of Manager-In-Charge. Under section 383 or 384 of the SFO, a person may commit an offence if he provides false or misleading information in support of a licence application or in relation to a notification (as the case may be).

ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING

Money laundering covers a wide range of activities and processes intended to alter the identity of the source of criminal proceeds in a manner which disguises their illegal origin. Terrorist financing is a term which includes the financing of terrorist acts, and of terrorist and terrorist organisations. It extends to any funds, whether from a legitimate or illegitimate source.

Licensed corporations are required to comply with applicable anti-money laundering laws and regulations in Hong Kong. The main pieces of legislation in Hong Kong that are concerned with money laundering and terrorist financing include the Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) (the “AMLO”), the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), the Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong), the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong) and the Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Chapter 526 of the Laws of Hong Kong). The SFC’s Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations) sets out the anti-money laundering and counter-financing of terrorism statutory and regulatory requirements, and the anti-money laundering and counter-financing of terrorism standards which licensed corporations should meet in order to comply with the statutory requirements under the AMLO. Staff of licensed corporations who know, suspect or have reasonable grounds to believe that a customer might have engaged in money laundering activities must immediately report to the compliance division of its organisation which, in turn, will be reported to the JFIU.

REGULATORY OVERVIEW

TAKEOVERS AND MERGERS

In Hong Kong, any takeover, merger, privatisation and share repurchase activities affecting public companies are regulated by the Takeovers Code which is issued by the SFC in consultation with the Takeovers Panel. The primary purpose of the Takeovers Code is to afford fair treatment for shareholders who are affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code seeks to achieve fair treatment by requiring equality of treatment of shareholders, mandating disclosure of timely and adequate information to enable shareholders to make an informed decision as to the merits of an offer and ensuring that there is a fair and informed market in the shares of companies affected by takeovers, mergers, privatisations and share buy-backs. The Takeovers Code also provides an orderly framework within which takeovers, mergers, privatisations and share buy-backs activities are to be conducted.

The responsibilities provided for in the Takeovers Code apply to:

- (a) directors of companies that are subject to the Takeovers Code;
- (b) management companies (and their directors) and trustees of REITs (as defined under the REIT Guidance Note in Schedule IX of the Takeovers Code) that are subject to the Takeovers Code;
- (c) persons or groups of persons who seek to gain or consolidate control of companies that are subject to the Takeovers Code;
- (d) their professional advisers;
- (e) persons who otherwise participate in, or are connected with, transactions to which the Takeovers Code applies; and
- (f) persons who are actively engaged in the securities market.

The role and responsibility of financial and other professional advisers is of particular importance given the non-statutory nature of the Takeovers Code, and it is part of their responsibility to use all reasonable efforts, subject to any relevant requirements of professional conduct, to ensure that their clients understand, and abide by, the requirements of the Takeovers Code, and to co-operate to that end by responding to inquiries from the Takeovers Executive, the Takeovers Panel or the Takeovers Appeal Committee.

The Takeovers Panel hears disciplinary matters in the first instance and reviews rulings by the Takeovers Executive at the request of any party dissatisfied with such a ruling. It also considers novel, important or difficult cases referred to it by the Takeovers Executive. It also reviews, upon the SFC's request, the provisions of the Takeovers Code and the Rules of Procedure for hearings under the Takeovers Code, and recommends relevant amendments as appropriate.

REGULATORY OVERVIEW

The Takeovers Appeal Committee reviews disciplinary rulings of the Takeovers Panel at the request of an aggrieved party for the sole purpose of determining whether any sanction imposed by the Takeovers Panel is unfair or excessive.

To help the public better understand the activities of the Takeovers Panel and the Takeovers Appeal Committee, rulings and sanctions given, together with the reasons in support, are published by the SFC. The Takeovers Executive also publishes decisions or statements as and when appropriate. In addition, practice notes are issued by the Takeovers Executive to provide informal guidance as to how the Takeovers Executive normally interprets and applies certain provisions of the Takeovers Code. The practice notes are reviewed by the Takeovers Executive periodically and are published on the SFC's website.

HISTORY AND BACKGROUND OF YU MING

Introduction

Yu Ming is a financial advisory services provider. Yu Ming first obtained licenses to carry on investment adviser and dealer activities by the SFC on 25 March 1997 and 9 August 1997 respectively, and has been licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO in Hong Kong since 6 December 2005. During the Track Record Period, Yu Ming focused on provision of corporate finance advisory services and asset management services.

History

The history of Yu Ming can be traced back to 4 July 1996 when it was set up by Mr. Fung Wing Cheung, Tony (“**Mr. Tony Fung**”) and Mr. Fung Yiu Fai, Peter (“**Mr. Peter Fung**”) with Mr. Warren Lee as one of its founding directors. Since its incorporation and up to 7 June 2007, Yu Ming was owned as to 25% by Mr. Peter Fung and 75% by Oyster Services Limited, which according to disclosures in the annual report of SHK, was in turn owned by a trust the beneficiaries of which were Mr. Tony Fung’s children.

On 25 March 1997 and 9 August 1997 Yu Ming obtained the license from the SFC to carry out investment adviser and dealer activities respectively and commenced business.

In July 1998 with a view to explore the PRC market, Yu Ming set up Hua Yu with Hua Jian International Finance Company Limited (“**Hua Jian**”), with Yu Ming holding 91% of the shareholding and Hua Jian holding the rest.

On 24 August 2007, Allied Group, through its wholly-owned subsidiary, the Vendor, acquired the entire issued shares of Yu Ming at the aggregate consideration of HK\$11,000,000. Yu Ming has since remained as an indirect wholly-owned subsidiary of Allied Group up to the Latest Practicable Date.

Allied Group is a company incorporated in Hong Kong with limited liability whose shares are listed on the Main Board (stock code: 373). Allied Group is primarily an investment holding company, with a stated strategy of focusing its management and financial resources on its core businesses of property investment and development and financial services together with elderly care services, and is, as at the Latest Practicable Date, owned as to 74.95% by Lee & Lee Trust (inclusive of Mr. Lee Seng Hui’s personal interest), of which Mr. Lee Seng Hui, Mr. Lee Seng Huang and Ms. Lee Su Hwei are the trustees.

Throughout the Track Record Period and up to the Latest Practicable Date, Yu Ming has been principally engaged in (i) providing corporate finance advisory services to listed companies, shareholders of and investors and potential investors in listed issuers and other entities on matters related to the Listing Rules, the GEM Listing Rules and the Takeovers Code as well as fund raising activities; and (ii) investment management services to SHK, a company listed on the Main Board under Chapter 21 of the Listing Rules.

HISTORY AND BACKGROUND OF YU MING

After its acquisition of Yu Ming, Allied Group reviewed the business strategy of Yu Ming and decided to focus on domestic corporate finance advisory and asset management services of Yu Ming and cease the PRC related business of Hua Yu. As a result, Yu Ming disposed of all its shares in Hua Yu on 27 September 2007 as to 308,000 shares to Mr. Leong Chi Wai (“**Mr. Leong**”), an independent third party at the time of the disposal, 137,500 shares to Yu Ming Property Management Limited (“**YMP**”, a company held at the time as to 75% by Mr. Tony Fung and 25% by Mr. Peter Fung, founders of Yu Ming), 27,500 shares to Mr. Warren Lee and 27,500 shares to Mr. Wang Yinan, both then directors of Hua Yu for a total consideration of HK\$500,500.

In 2011, in view to mitigate Yu Ming’s licensing requirement (minimum requirement of two Responsible Officers) risk and potential development of Yu Ming’s business, Yu Ming explored cooperation with Hua Yu and/or its controlling shareholder, Mr. Leong. Yu Ming entered into an agreement with Mr. Leong in March 2011 to acquire all the shares he held in Hua Yu, representing 65% of the total issued shares of Hua Yu at the consideration of HK\$1,500,000. The change in substantial shareholder of Hua Yu was approved by the SFC on 13 March 2012 and completion of the said acquisition took place on 2 May 2012.

On 12 November 2012, Mr. Tony Fung and Mr. Peter Fung, the controlling shareholder of YMP, planned to retire from the financial services industry and decided to dispose of all their shareholding in Hua Yu at a nominal amount of HK\$25,000 to Mr. Leong, who was one of the first employees of Yu Ming at its commencement of business in 1997, upon which Hua Yu became owned as to 65% by Yu Ming, 25% by Mr. Leong, 5% by Mr. Warren Lee and 5% by Mr. Wang Yinan. Hua Yu was the investment manager to Incutech Investments Limited (now known as DT Capital Limited) (“**Incutech**”), which is a company listed under Chapter 21 of the Listing Rules and trading of which shares was suspended from June 2008. With Incutech’s resumption of trading in September 2014, it was expected that its investment activities would substantially increase, which may lead to a potential conflict of interest with Yu Ming’s asset management business. In order to avoid such scenario, Yu Ming decided to dispose of all its interest in Hua Yu, representing 65% of the total issued shares of Hua Yu, to Mr. Leong, the original controlling shareholder before its acquisition by Yu Ming in 2012, and all the shares Yu Ming held in Hua Yu were sold to Luck Point Company Limited, a company owned by Mr. Leong, on 5 May 2015.

For each of the three years ended 31 December 2018, revenue generated by Yu Ming’s corporate finance advisory business and asset management business amounted to approximately HK\$58.7 million, HK\$72.6 million and HK\$58.6 million respectively.

HISTORY AND BACKGROUND OF YU MING

Milestones

Set out below are the major milestones of Yu Ming's business since its establishment and up to the Latest Practicable Date:

- 1996 incorporated in Hong Kong
- 1997 licensed by the SFC to carry on investment advisor and dealer activities
- 1997 appointed as the investment manager of SHK (formerly known as Yu Ming Investments Limited)
- 1998 Set up Hua Yu
- 2005 licensed under the SFO to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities
- 2007 Disposal of all interest in Hua Yu
- 2012 Completed acquisition of controlling interest in Hua Yu, which was then licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO in Hong Kong
- 2015 Disposal of all interest in Hua Yu

Corporate Development

The following sets out Yu Ming's establishment, commencement of business and material changes in shareholdings.

Yu Ming

Yu Ming was incorporated in Hong Kong with limited liability on 4 July 1996 under the Predecessor Companies Ordinance under the name of "Sun Hung Kai Industries Management Limited", with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each, and was owned as to 25% by Mr. Peter Fung and 75% by Oyster Services Limited as mentioned above.

On 24 February 1997, the authorised share capital of Yu Ming was increased from HK\$10,000 to HK\$100,000 and its paid up capital was also increased to HK\$100,000 on the same day by the issue of 99,900 new shares of HK\$1.00 each fully paid up.

On 27 March 1997, Sun Hung Kai Industries Management Limited resolved to change its name to the present name of Yu Ming Investment Management Limited.

HISTORY AND BACKGROUND OF YU MING

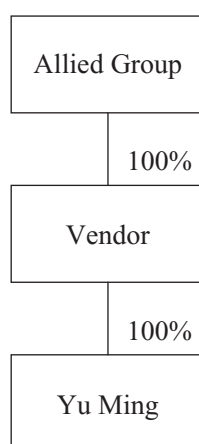
On 9 June 2000, Yu Ming increased its authorised share capital from HK\$100,000 to HK\$5,000,000 and its paid up capital was also increased to HK\$5,000,000 on the same day by the issue of 4,900,000 new shares of HK\$1.00 each fully paid up.

On 13 October 2006, Yu Ming further increased its authorised share capital from HK\$5,000,000 to HK\$10,000,000 and its paid up capital was also further increased to HK\$10,000,000 by the issue of 5,000,000 new shares of HK\$1.00 each fully paid up.

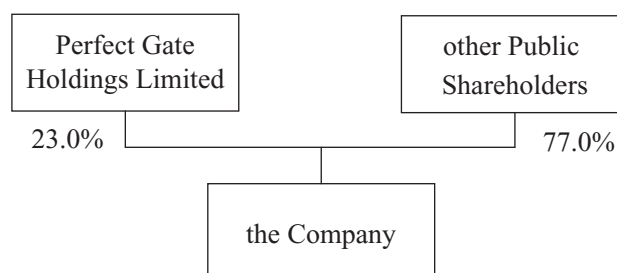
On 24 August 2007, Allied Group, through its wholly-owned subsidiary, (i.e. the Vendor), acquired the entire issued shares of Yu Ming at a consideration of HK\$11,000,000, which was determined with reference to Yu Ming's consolidated net asset value at the time. As at the Latest Practicable Date, Yu Ming remains as an indirect wholly-owned subsidiary of Allied Group.

Upon Resumption

As at the Latest Practicable Date, the shareholding and corporate structure of Yu Ming is as follows:



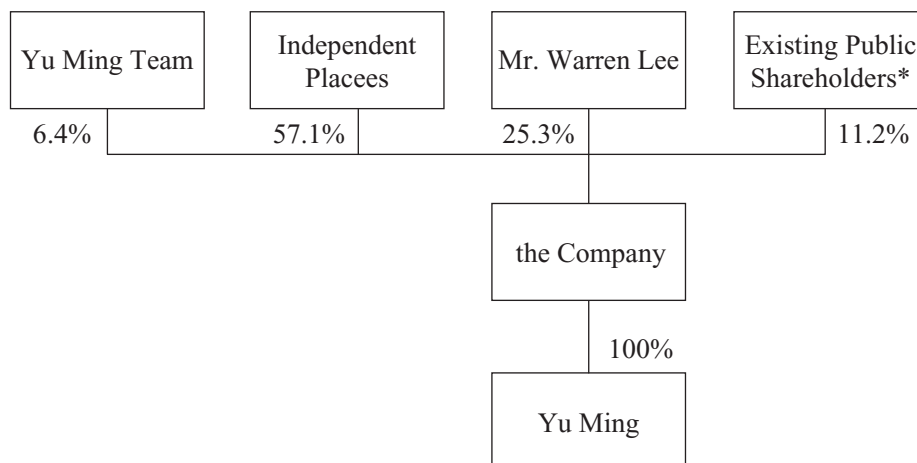
As at the Latest Practicable Date, the shareholding of the Company is as follows:



Upon completion of the Capital Reorganisation, the Company proposed to carry out the YM Subscription, the New Placing, the Acquisition and the Public Offer with the Preferential Offering.

HISTORY AND BACKGROUND OF YU MING

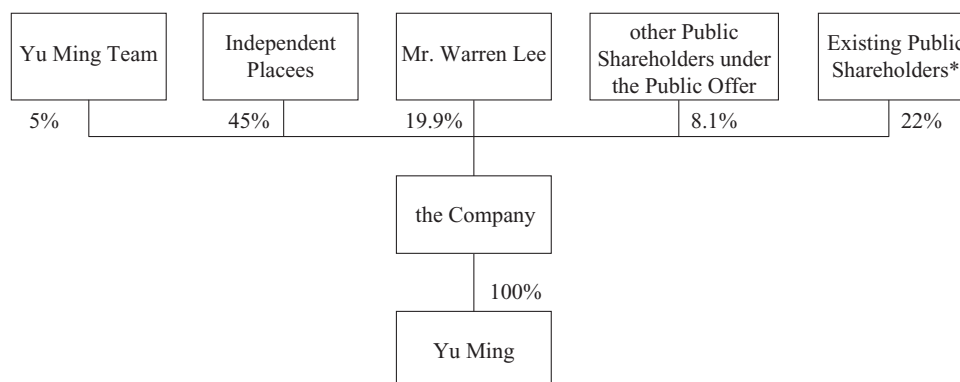
The diagram below illustrates the shareholding and corporate structure of the Company upon completion of the YM Subscription and the New Placing:



* including Perfect Gate Holdings Limited

The diagrams below illustrate the shareholding and corporate structure of the Company upon Acquisition Completion and completion of the YM Subscription, the New Placing and the Public Offer, assuming (a) all of the Qualifying Shareholders take up their Assured Entitlement under the Preferential Offering in full; and (b) none of the Qualifying Shareholders take up their Assured Entitlement under the Preferential Offering, respectively:

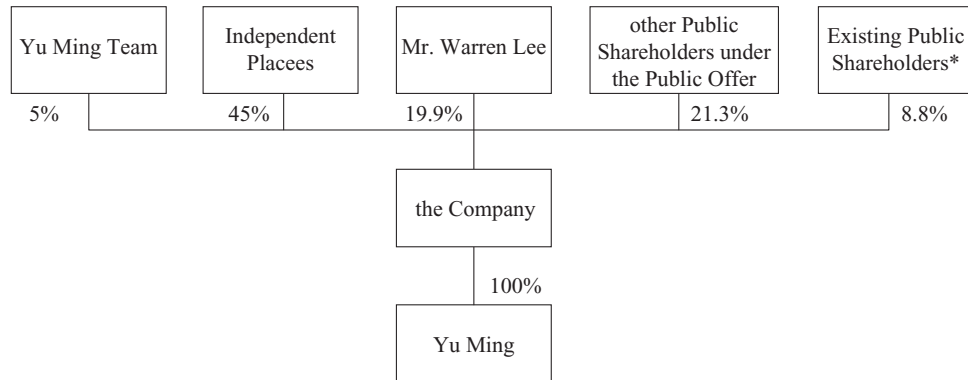
(i) *all Qualifying Shareholders take up their Assured Entitlement under the Preferential Offering in full*



* including Perfect Gate Holdings Limited

HISTORY AND BACKGROUND OF YU MING

(ii) none of the Qualifying Shareholders take up any of their Assured Entitlement under the Preferential Offering



* including Perfect Gate Holdings Limited

BUSINESS OF YU MING

OVERVIEW

Yu Ming is a financial services provider engaged in the provision of corporate finance advisory services and asset management services.

Yu Ming is licensed 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 under the SFO.

Corporate Finance Advisory

During the Track Record Period, the corporate finance advisory services provided by Yu Ming mainly included:

- (i) acting as financial adviser to advise listed issuers, shareholders and investors of listed issuers and entities on specific transactions in respect of the Listing Rules, the GEM Listing Rules and/or the Takeovers Code;
- (ii) acting as independent financial adviser to listed issuers to provide independent advice required under the Listing Rules, the Takeovers Code or other specific circumstances; and
- (iii) acting as financial adviser to listed issuers on retainer basis to advise listed issuers on corporate strategies and compliance with the Listing Rules, the GEM Listing Rules and Takeovers Code.

For each of the three years ended 31 December 2018, revenue generated by Yu Ming's corporate finance advisory services amounted to approximately HK\$41.2 million, HK\$51.4 million and HK\$40.8 million, representing approximately 68.7%, 69.9% and 68.4% of Yu Ming's total revenue, respectively. Please refer to the section headed "Financial Information of Yu Ming" in this prospectus for further details.

Asset Management

During the Track Record Period, Yu Ming provided asset management services solely to SHK.

For each of the three years ended 31 December 2018, revenue generated by Yu Ming's asset management services amounted to approximately HK\$17.4 million, HK\$21.2 million and HK\$17.8 million, representing approximately 29.0%, 28.8% and 29.9% of Yu Ming's total revenue, respectively. Please refer to the section headed "Financial Information of Yu Ming" in this prospectus for further details.

BUSINESS OF YU MING

The following table sets out the breakdown of the revenue generated from each of the business segments of Yu Ming during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Corporate Finance						
Advisory	41,232	68.7	51,394	69.9	40,754	68.4
Asset Management	17,424	29.0	21,204	28.8	17,824	29.9
Others ^{Note}	<u>1,392</u>	<u>2.3</u>	<u>917</u>	<u>1.3</u>	<u>999</u>	<u>1.7</u>
Total	<u>60,048</u>	<u>100.0</u>	<u>73,515</u>	<u>100.0</u>	<u>59,577</u>	<u>100.0</u>

Note: Others comprise disbursement reimbursement of 40% of expenses incurred by Yu Ming on office utilities, rents and miscellaneous administrative expenses from SHK under the Management Agreement, details of which are set out in the section headed “Business of Yu Ming – Asset Management” in this prospectus.

Proprietary trading

During the Track Record Period, Yu Ming has also engaged in proprietary trading of equity securities and fixed income products, selecting investment targets based on Yu Ming’s own risks profile and investment cycle.

The following table sets out the net financial income generated by Yu Ming’s proprietary trading during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net financial income generated from proprietary trading	<u>7,087</u>	<u>8,375</u>	<u>3,163</u>

As advised by the Proposed Directors, Yu Ming does not intend to actively engage in proprietary trading after Acquisition Completion.

BUSINESS OF YU MING

COMPETITIVE STRENGTHS

The Proposed Directors believe that the historical performance and future prospects of Yu Ming are underpinned by a combination of its competitive strengths, including:

Well-established business

Yu Ming has been established for over two decades and has built up its reputation and profile, and has accumulated the necessary competence, expertise and experience in providing a variety of financial advisory services.

Reputation and clients' confidence in Yu Ming's services are critical to its success and will enable Yu Ming to continue to obtain new business and referrals from its existing clients, clients it has served before and professional firms.

Experienced team of professionals

Mr. Warren Lee, the managing director of Yu Ming and one of its Responsible Officers, has more than 20 years of experience in the Hong Kong financial advisory market and the other two Responsible Officers of Yu Ming both have more than 10 years of relevant experience and have been with Yu Ming for over 12 and 10 years respectively. Their experience, together with the other professional team members, represent a strong and experienced adviser team capable of supporting clients in the compliance of regulatory requirements under the Listing Rules, the GEM Listing Rules and the Takeovers Code.

The Proposed Directors believe that Yu Ming's experienced corporate finance advisory and asset management teams offer confidence to clients with their extensive industry knowledge and track records. Please refer to the section headed "Proposed Directors and Senior Management of the Enlarged Group" in this prospectus for details of the experience of the Proposed Directors and the senior management of the Enlarged Group.

Close and stable relationships with clients

Yu Ming recognizes that market reputation and client's confidence in its services are critical to its success, enabling it to continue to obtain new business and referrals from its existing clients and those it has served in the past. Yu Ming places great emphasis on building up client loyalty by providing competent, comprehensive, prompt and solution focused advice.

Yu Ming has established close and stable business relationships with many of its clients. Such relationships allow Yu Ming to understand their long-term business goals, strategies and preferences, thereby enabling Yu Ming to provide customized advices and services most suited to each individual client. This would reinforce Yu Ming as client's choice for financial advisory services and generate new engagements for Yu Ming.

BUSINESS OF YU MING

Well-structured professional services

To position itself in the highly competitive operating environment, Yu Ming has developed the capacity to provide comprehensive services that would generate steady streams of revenue under different business environments. Takeovers, acquisition and disposal transactions tend to be more active when the economic or capital market conditions are good, whereas restructuring and resumption of trading of securities of distressed listed issuers would be more abundant during or following a downturn in the economy. The positioning of Yu Ming in the counter-cyclical segments of the corporate finance business, together with the recurrent asset management fee should enable Yu Ming to have steady and continuous revenue stream and potential for growth along different economic conditions.

Efficient management structure

Yu Ming adopts a system whereby each transaction team directly reports to and is supervised by a designated Responsible Officer. The overall quality of work is overseen by Mr. Warren Lee. This flat organizational structure enables Yu Ming to react quickly to clients' needs and changes in market conditions. Yu Ming strives to keep its front line employees abreast of market developments and practices through regular internal meetings and other professional trainings.

Focused services

Yu Ming is focused on the provision of corporate finance advisory services and only serves SHK in its assets management businesses and does not carry on other ancillary business such as stockbroking. The Proposed Directors believe that Yu Ming is recognised in its field, focusing on offering corporate finance advice and services to its clients, without attempting to "cross sell" other services.

BUSINESS STRATEGIES

The Proposed Directors believe that the Hong Kong equity market will continue to grow as the number of listed companies in Hong Kong rose steadily during the Track Record Period and more business opportunities is expected to emerge in the financial advisory services industry in the long run. Yu Ming seeks to capitalise the potential growth of the equity market and continue to participate in the corporate finance advisory industry as an active advisory services provider in Hong Kong by continuing to provide services of the highest standards.

Yu Ming intends to adopt the following strategies to build on the competitive strengths described above:

Strengthening Yu Ming's corporate finance team to maintain high quality corporate finance advisory services to its clients

As set out above, the Proposed Directors believe that an experienced team equipped with extensive industry knowledge and good relationship with clients and regulators are crucial to the continuing success of Yu Ming.

BUSINESS OF YU MING

As an active market participant, Yu Ming is well placed to expand its corporate finance advisory business by expanding its existing corporate finance team following Resumption.

The strengthening of Yu Ming's professional team will increase its advisory capacity for increasing number of engagements, improve its ability to initiate new ideas to assist clients in achieving their objectives and ensure corporate finance transactions are executed promptly and efficiently.

Expansion of advisory work in relation to resumption of trading of securities of listed issuers on the Stock Exchange

During the Track Record Period, Yu Ming had provided corporate finance advisory services to liquidators, substantial shareholders or investors of not less than 8 listed issuers which shares were suspended from trading on the Stock Exchange that were in severe financial difficulties and/or have ceased to maintain sufficient operations.

There were 71 Main Board listed companies which has been suspended for three months or more on the Stock Exchange as at 31 January 2019 due to various reasons. The Proposed Directors consider the Enlarged Group can devote more effort and resources to this area in view of signs of rising pressure in credit markets, and other difficulties giving rise to more cases of prolonged suspension of trading in securities on the Stock Exchange.

Pursuant to the conclusion of the consultation paper issued in September 2017, amendments were made to the Listing Rules and GEM Listing Rules (“**Amendments**”) which came into effect on 1 August 2018, aiming to establish a framework to facilitate timely delisting of issuers that no longer meet the Stock Exchange's continuing listing criteria and provide certainty to the market on the delisting process.

The Amendments include, inter alia, the following:

Under the Listing Rules:

1. added a separate delisting criterion to allow the Stock Exchange to delist an issuer after a trading suspension of 18 continuous months;
2. allowed the Stock Exchange to (i) publish a delisting notice stating its right to delist an issuer if the issuer fails to resume trading within the period specified in the notice, or (ii) delist the issuer immediately in appropriate circumstances;
3. removed Practice Note 17, which sets out a three stage delisting procedure for issuers without sufficient operations or assets that will no longer be needed under the new delisting process;

Under the GEM Listing Rules:

4. made changes to align the delisting process with that of the Listing Rules except for allowing the Stock Exchange to delist a GEM issuer after a trading suspension of 12 continuous months.

BUSINESS OF YU MING

With the coming into effect of the Amendments, the directors of Yu Ming expect that (i) the number of listed issuers vulnerable to falling into the delisting stage or direction for immediate delisting by the Stock Exchange will increase; (ii) listed issuers under prolonged suspension would have to act more promptly to address their respective issues towards resumption; and (iii) white knights would have to be more sensitive to the shorter timetable to rescue listed issuers under the delisting stage. As such, it is expected that the demand for corporate finance advisory services for resumption of trading in shares from both the listed issuers and white knights will increase as a result.

Focused on performance under the New Management Agreement

For the reasons set out in the sub-section headed “Clients – Asset Management” in this section, Yu Ming intends to focus its asset management services on SHK. Serving a single client which is a Chapter 21 company is in line with market practice. Since Yu Ming has been appointed by SHK as its investment manager on an exclusive basis for over 20 years, the Proposed Directors are of the view that the business relationship is likely to be stable and continue.

BUSINESS ACTIVITIES

Corporate Finance Advisory

During the Track Record Period, Yu Ming’s corporate finance advisory services included (i) acting as financial adviser for specific transactions; (ii) acting as independent financial adviser; (iii) provision of services under retainers; and (iv) commission based and other services. Set out below is a breakdown of the revenue generated by Yu Ming for each of these categories during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Specific financial advisory	29,050	70.4	32,630	63.5	27,185	66.7
Independent financial adviser	1,218	3.0	2,208	4.3	1,380	3.4
Retainer	9,964	24.2	16,556	32.2	12,189	29.9
Commission based and other services	<u>1,000</u>	<u>2.4</u>	—	—	—	—
Total	<u><u>41,232</u></u>	<u><u>100.0</u></u>	<u><u>51,394</u></u>	<u><u>100.0</u></u>	<u><u>40,754</u></u>	<u><u>100.0</u></u>

BUSINESS OF YU MING

Set out below is the monetary value movement of outstanding contract value of corporate finance advisory engagements of Yu Ming during the Track Record Period and up to 31 May 2019:

	Specific financial advisory <i>HK\$</i>	Independent financial adviser <i>HK\$</i>	Retainer <i>HK\$</i>	Commission based and other services <i>HK\$</i>	Total <i>HK\$</i>
Outstanding contract value of mandates on hand as at 31 December 2015 and carried forward to 1 January 2016	10,500,000	–	–	–	10,500,000
New contract value during the year ended 31 December 2016	47,350,000	1,218,000	9,964,000	1,000,000	59,532,000
Contract value recognised as revenue during the year ended 31 December 2016	29,050,000	1,218,000	9,964,000	1,000,000	41,232,000
Terminated contract value during the year ended 31 December 2016	<u>3,300,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,300,000</u>
Outstanding contract value of mandates on hand as at 31 December 2016 and carried forward to 1 January 2017	25,500,000	–	–	–	25,500,000
New contract value during the year ended 31 December 2017	56,850,000	2,388,000	16,556,000	–	75,794,000
Contract value recognised as revenue during the year ended 31 December 2017	32,630,000	2,208,000	16,556,000	–	51,394,000
Terminated contract value during the year ended 31 December 2017	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Outstanding contract value of mandates on hand as at 31 December 2017 and carried forward to 1 January 2018	49,720,000	180,000	–	–	49,900,000
New contract value during the year ended 31 December 2018	34,710,000	1,200,000	12,189,580	–	48,099,580
Contract value recognised as revenue during the year ended 31 December 2018	27,185,000	1,380,000	12,189,580	–	40,754,580
Terminated contract value during the year ended 31 December 2018	<u>13,825,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>13,825,000</u>

BUSINESS OF YU MING

	Specific financial advisory <i>HK\$</i>	Independent financial adviser <i>HK\$</i>	Retainer <i>HK\$</i>	Commission based and other services <i>HK\$</i>	Total <i>HK\$</i>
Outstanding contract value of mandates on hand as at 31 December 2018 and carried forward to 1 January 2019	43,420,000	–	–	–	43,420,000
New contract value during the period ended 31 May 2019	600,000	2,480,000	3,699,988	–	6,779,988
Contract value recognised as revenue during the period ended 31 May 2019	4,800,000	2,480,000	3,699,988	–	10,979,988
Terminated contract value during the period ended 31 May 2019	5,000,000	–	–	–	5,000,000
Outstanding contract value of mandates on hand as at 31 May 2019 and carried forward to 1 June 2019	34,220,000	–	–	–	34,220,000

Specific financial advisory

As financial adviser, Yu Ming provides financial advisory services to listed issuers, shareholders of listed issuers and investors of listed issuers in transactions relating to (a) Takeovers Code related matters; (b) Listing Rules and GEM Listing Rules related matters; (c) proxy fights or hostile situations; (d) reorganisations and restructurings; and (e) equity fund raisings.

Takeovers Code related matters

In respect of Takeovers Code related transactions, such as general cash offers (mandatory or voluntary), share exchange offers, privatisations and share repurchases, Yu Ming may act for the offeror or the listed issuer.

When Yu Ming acts as financial adviser to listed issuer, depending on the nature of each transaction, Yu Ming's role mainly involves (i) advising on the structure and terms of the transaction; (ii) advising on the offer price/issue price of the securities involved; (iii) advising on the implications of the Takeovers Code; (iv) preparing submissions and applications for rulings from SFC on behalf of the listed issuer; (v) preparing documentations; (vi) coordinating work of other professional parties; (vii) liaising with regulators; and (viii) monitoring the timetable and overall progress of the transaction.

When Yu Ming acts as financial adviser to offeror, depending on the nature of each transaction, Yu Ming's role mainly involves (i) participating in commercial negotiations between relevant parties; (ii) advising on the structure of the transaction; (iii) advising on price of the offer; (iv) advising on the implications of the Takeovers Code; (v) reviewing legal documentation; (vi) assisting offeror to secure necessary funding for the transaction; (vii) preparing fund proof documents and making of general offer on behalf of client in

BUSINESS OF YU MING

compliance with Takeovers Code; (viii) make relevant application on behalf of the offeror to the SFC; (ix) coordinating work of other professional parties; and (x) monitoring the timetable and overall progress of the transaction.

Listing Rules and GEM Listing Rules related matters

In respect of Listing Rules and GEM Listing Rules related matters, such as notifiable transactions under Listing Rules and GEM Listing Rules, Yu Ming's role mainly involves (i) advising on the implications/compliance of the Listing Rules and GEM Listing Rules; (ii) advising on the structure and terms of the transaction; (iii) preparing submissions and applications on behalf of the listed issuer; (iv) preparing documentations such as announcement and circulars; (v) coordinating work of other professional parties; (vi) liaising with regulators; and (vii) monitoring the timetable and overall progress of the transaction.

Proxy fights or hostile situations

Yu Ming may be engaged as financial adviser to either the listed issuer or shareholder of the listed issuer who compete for control over the listed issuer in board compositions or in takeovers. Yu Ming's role in such engagements mainly involves advising on (i) strategies and legitimate practices permissible under the provisions of the company's constitutional documents, the Listing Rules, the GEM Listing Rules and the Takeovers Code; (ii) media and investigation tactics that could advance its positions; (iii) negotiations and settlement with the relevant parties; and (iv) documentations as maybe required.

Reorganisations and restructurings

In respect of reorganisations and restructurings, Yu Ming may act as financial adviser to the white knight investor or the listed issuer in financial difficulties.

When acting as financial adviser to listed issuer, Yu Ming's role usually involves (i) introducing new investors to the listed issuer; (ii) advising the structure and terms of the corporate reorganization and restructuring exercise; (iii) advising on the implications of the Listing Rules, the GEM Listing Rules and the Takeovers Code; (iv) accompanying client to meet and negotiate terms with relevant stakeholders such as creditors; (v) preparing resumption proposal for client; (vi) liaising with regulators for the implementation of resumption proposal; (vii) preparing documentations such as announcements and circulars; (viii) coordinating works of other professional parties; and (ix) monitoring timetable and overall progress of the transaction.

In respect of acting as financial adviser to the white knight, Yu Ming's role usually involves (i) introducing listed issuers to investors, (ii) formulating structure and terms of the corporate reorganization and restructuring exercise; (iii) advising on the implications of the Listing Rules, the GEM Listing Rules and the Takeovers Code; (iv) advising on valuation; (v) assisting in preparing the resumption proposal where applicable; (vi) reviewing documentations such as announcements and circulars; (vii) coordinating works of other professional parties; and (viii) monitoring timetable and overall progress of the transaction.

BUSINESS OF YU MING

Equity fund raising

When acting as financial adviser in connection with fund raising exercises, Yu Ming's role mainly involves (i) assessing the funding needs of the client; (ii) advising on fund raising methods; (iii) advising on the pricing of the new securities being issued or offered; (iv) advising on the implications of the Listing Rules, the GEM Listing Rules and the Takeovers Code; (v) preparing documentations such as placing letters, announcements and circulars; (vi) liaising with regulators; (vii) coordinating the work of other professional parties; and (viii) monitoring the timetable and overall progress of the transaction.

In certain fund raising deals, such as placings, rights issues and open offers, Yu Ming may also offer to act as placing agent or underwriter. Please refer to the section headed "Commission based and other services" below.

The following table sets out transactions for which Yu Ming was engaged as financial adviser with financial advisory fee over HK\$500,000 (assuming all milestones achieved) during the Track Record Period:

For the year ended 31 December 2016

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Autobest Holdings Limited	–	Takeovers Code related matters	Mandatory conditional offer to acquire all shares of Dan Form Holdings Company Limited (now known as Asiasec Properties Limited) (stock code: 271)	Financial adviser
China Shanshui Cement Group Limited	691	Equity fund raising	Open offer	Financial adviser
GT Winners Limited	–	Takeovers Code related matters	Mandatory unconditional offer to acquire all shares and convertible bonds of Asia Allied Infrastructure Holdings Limited (stock code: 711)	Financial adviser

BUSINESS OF YU MING

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Kingwell Group Limited	1195	Listing Rules related matters	Acquisition of 51% equity interest in a renewable energy business which constitute a discloseable transaction	Financial adviser
L & A International Holdings Limited	8195	Takeovers Code related matters	Pre-conditional voluntary conditional securities exchange offer and cash offer to acquire all issued shares of the issuer	Financial adviser
L & A International Holdings Limited	8195	Takeovers Code related matters	Review of SFC ruling by the Takeovers Panel	Financial adviser
Sandmartin International Holdings Limited	482	Equity fund raising	Open offer and subscription of new shares	Financial adviser
Star Fly Limited & Fresh Choice Holdings Ltd	–	Takeovers Code related matters	Voluntary conditional cash offer to acquire all issued shares of Perfectech International Holdings Limited (stock code: 765) and cancel all outstanding share options	Financial adviser
Ta Yang Group Holdings Limited	1991	Listing Rules related matters	Acquisition of properties in the PRC which constituted a major transaction	Financial adviser
Client 1 ^{Note 1}	–	Reorganisations and restructurings	Review of the Listing Committee's decision in relation to the viability of the resumption proposal of the issuer	Financial adviser

BUSINESS OF YU MING

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Client 2 ^{Note 2}	–	Proxy fights or hostile situations	Handling of the requisition by a major shareholder to reshuffle the board of directors of a listed issuer	Financial adviser
Client 3 ^{Note 3}	–	Listing Rules related matters	Proposed share consolidation and change in board lot size	Financial adviser
Client 4 ^{Note 4}	–	Proxy fights or hostile situations	Advise a listed issuer on the requisition by shareholders for the removal of directors and appointment of new directors	Financial adviser
Client 5 ^{Note 5}	–	Equity fund raising	Proposed open offer, bonus share issue and bonus warrants issue	Financial adviser
Client 6 ^{Note 6}	–	Equity fund raising	Share consolidation and open offer	Financial adviser
Client 7 ^{Note 7}	–	Takeovers Code related matters	Application for ruling from the SFC on Takeovers Code related matter	Financial adviser
Client 8 ^{Note 8}	–	Listing Rules related matter	Propose listing on the Main Board	Financial adviser
Client 9 ^{Note 9}	–	Reorganisations and restructurings	Resumption of trading in shares under prolonged suspension involving a reverse takeover	Financial adviser
Client 9 ^{Note 9}	–	Reorganisations and restructurings	Review of Listing Department's decision to place a listed issuer into third stage delisting	Financial adviser

BUSINESS OF YU MING

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Client 10 ^{Note 10}	–	Takeovers Code related matters	Application for a waiver from the SFC on Takeovers Code related matter	Financial adviser

For the year ended 31 December 2017

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Anxin-China Holdings Limited	1149 (subsequently delisted)	Reorganisations and restructuring	Resumption of trading in shares under prolonged suspension involving a reverse takeover	Financial adviser
APAC Resources Limited	1104	Takeovers Code related matters	Repurchase offer and whitewash waiver application	Financial adviser
Changgang Dunxin Enterprise Company Limited (provisional liquidators appointed)	2229	Reorganisations and restructuring	Resumption of trading in shares under prolonged suspension	Financial adviser
Feishang Non-metal Materials Technology Limited	8331	Proxy fights or hostile situations	Advise on the requisition by shareholder for the removal of directors and appointment of new directors	Financial adviser
G.A. Holdings Limited	8126	GEM Listing Rules and Listing Rules related matters	Transfer from GEM to Main Board	Financial adviser
Sanju Environmental Protection (Hong Kong) Limited ^{Note 11}	–	Takeovers Code related matters	Whitewash waiver application	Financial adviser

BUSINESS OF YU MING

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Client 1 ^{Note 1}	–	Reorganisations and restructurings	Reply to Listing Committee's decision to resumption proposal	Financial adviser
Client 11 ^{Note 12}	–	Takeovers Code related matters	Shareholders' requisition and approaches by potential buyers	Financial adviser
Client 12 ^{Note 13}	–	Proxy fights or hostile situations	Requisition for an extraordinary general meeting of a listed company	Financial adviser
Client 13 ^{Note 14}	–	Reorganisations and restructurings	Response to Listing (Review) Committee's decision	Financial adviser
Client 14 ^{Note 15}	–	Listing Rules related matters	Issue of convertible bonds under specific mandate	Financial adviser
Client 15 ^{Note 16}	–	Proxy fights or hostile situations	Advise the listed issuer on the requisition by shareholder for the removal of directors and appointment of new directors	Financial adviser
Client 16 ^{Note 17}	–	Takeovers Code related matters	Conditional cash offer to repurchase shares of a listed issuer	Financial adviser

BUSINESS OF YU MING

For the year ended 31 December 2018

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Anxin-China Holdings Limited	1149 (subsequently delisted)	reorganizations and restructurings	Review of listing decision for not granting an extension of time for submission of new listing application	Financial adviser
CECEP Costin New Materials Group Limited (in provisional liquidation)	2228	Reorganizations and restructuring	Resumption of trading in the shares under prolonged suspension involving reverse takeover	Financial adviser
Hong Kong Shanghai Alliance Holdings Limited	1001	Listing Rules related matters	Proposed set up of a co-investment venture constituting a major transaction and may constitute a connected transaction	Financial adviser
Kingwell Group Limited	1195	Listing Rules related matters	Proposed acquisition of property management business constituting a major transaction	Financial adviser
Manfield Chemical Holdings Limited	1561	Takeovers Code related matters	Mandatory unconditional offer to acquire all issued shares of Manfield Chemical Holdings Limited (stock code: 1561)	Financial adviser
Natural Dairy (NZ) Holdings Limited (in provisional liquidation)	462	Reorganizations and restructuring	Resumption of trading in shares under prolonged suspension	Financial adviser
Sustainable Forest Holdings Limited	723	Reorganizations and restructuring	Review of Listing Department's decision to place a listed issuer into first stage delisting	Financial adviser
Water Oasis Group Limited	1161	Takeovers Code related matters	Conditional cash offer to repurchase shares of the issuer	Financial adviser

BUSINESS OF YU MING

Client Name	Stock Code	Transaction type	Nature of transaction	Role
Client 16 ^{Note 17}	–	Listing Rules related matters	Proposed acquisition of property from an independent third party	Financial adviser
Client 16 ^{Note 17}	–	Listing Rules related matters	Proposed disposal of asset	Financial adviser
Client 17 ^{Note 18}	–	Takeovers Code related matters	Proposed purchase of shares in a listed company and mandatory conditional offer	Financial adviser
Client 18 ^{Note 19}	–	Listing Rules related matters	Advise on SFC guidelines in relation to proposed acquisition	Financial adviser
Client 19 ^{Note 20}	–	Takeovers Code related matters	Proposed offer to purchase shares held by the company in a listed issuer	Financial adviser
Client 20 ^{Note 21}	–	Takeovers Code related matters	Proposed partial offer to acquire no more than 30% issued shares in a company listed on the Stock Exchange	Financial adviser
Client 21 ^{Note 22}	–	Takeovers Code related matters	Proposed issue of new shares involving change in control	Financial adviser

Notes:

1. Client 1 is a private limited company incorporated in the British Virgin Islands.
2. Client 2 is a company incorporated in Bermuda with limited liability and is listed on the Main Board. It is principally engaged in civil engineering, electrical and mechanical engineering, foundation and building construction work, property development and property investment.
3. Client 3 is a company incorporated in the Cayman Islands with limited liability and is listed on the Main Board. It is principally engaged in manufacture and sale of automotive parts and components and the trading of automotive parts and components.
4. Client 4 is a company incorporated in Bermuda with limited liability and is listed on the Main Board. It is principally engaged in provision of healthcare services and distribution of cooling system.
5. Client 5 is a company incorporated in the Cayman Islands with limited liability and is listed on the Main Board. It is principally engaged in investing in listed and unlisted companies mainly in Hong Kong and the PRC.

BUSINESS OF YU MING

6. Client 6 is a company incorporated in Bermuda with limited liability and is listed on GEM. It is principally engaged in manufacture & sales of environmental friendly air-conditioners and operates carbon emission trading platform.
7. Client 7 is a natural person with a controlling shareholder of a company listed on the Main Board of the Stock Exchange.
8. Client 8 is a private limited company incorporated in Hong Kong.
9. Client 9 is a private limited company incorporated in PRC.
10. Client 10 is a company incorporated in Hong Kong with limited liability, and is licensed under the SFO to carry on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities.
11. Sanju Environmental Protection (Hong Kong) Limited is a wholly owned subsidiary of Beijing Sanju Environmental Protection & New Materials Co., Ltd, a company listed on the Shenzhen Stock Exchange with stock code of 300072.
12. Client 11 is a company incorporated in the Cayman Islands with limited liability and was listed on the Main Board (subsequently delisted).
13. Client 12 is a number of natural persons who are shareholders of a listed company.
14. Client 13 is a company incorporated in the Bermuda with limited liability and is listed on the Main Board. It is principally engaged in the business of mobile handsets solution provider.
15. Client 14 is a company incorporated in the Cayman Islands with limited liability and is listed on the Main Board. It is principally engaged in marketing, promotion and channel management services in the PRC pharmaceutical industry.
16. Client 15 is a company incorporated in the Cayman Islands with limited liability and is listed on the Main Board. It is principally engaged in financing related business.
17. Client 16 is a company incorporated in Bermuda with limited liability and is listed on the Main Board. It is principally engaged in the stockholding and distribution of construction materials.
18. Client 17 is a private limited company incorporated in the British Virgin Islands.
19. Client 18 is a company incorporated in the Cayman Islands with limited liability and is listed on the Main Board. It is a fiber optic network solution provider.
20. Client 19 is a private limited company incorporated in Hong Kong.
21. Client 20 is a private limited company incorporated in the Cayman Islands.
22. Client 21 is a company incorporated in Bermuda with limited liability and is listed on the Main Board. It is principally engaged in oil and gas businesses.

Independent Financial Advisor

During the Track Record Period, Yu Ming had also acted as independent financial adviser where the appointment of an independent financial adviser is (i) required for certain types of transactions pursuant to Listing Rules and/or the Takeovers Code; or (ii) upon request by the directors of listed issuer.

BUSINESS OF YU MING

Transactions where Yu Ming was engaged as independent financial advisers during the Track Record Period involved two major types of transactions, being (i) connected acquisitions or disposals; and (ii) fund raising.

As an independent financial adviser, Yu Ming is normally engaged to issue opinion letters as to fairness and reasonableness of the terms of the transaction and give voting recommendations to the independent board committee and/or independent shareholders of listed issuer at the general meetings of the listed issuer.

In forming its recommendation, Yu Ming usually (i) reviews documents relevant to the listed issuer and the transaction; (ii) researches the relevant market practices and data and other conditions and trends relevant to the transaction; and (iii) where relevant, interviews the expert and review the terms of its engagement and expert report.

The following table sets out all transactions for which Yu Ming was engaged as independent financial adviser published by the listed issuers during the Track Record Period:

Client Name	Stock Code	Nature of transaction	Announcement/ Circular/ Prospectus Date
Glorious Sun Enterprises Limited	393	Disposal of two properties to substantial shareholders of the issuer which constituted a connected transaction of the issuer	23 September 2016
Orient Victory China Holdings Limited	265	Open offer of offer shares with an alternative of unlisted perpetual convertible securities on the basis of one offered share for every five shares	29 September 2016
Yuexiu Property Company Limited	123	Acquisition of land parcel and disposal of property which constituted connected transactions of the issuer	23 November 2016
Glorious Sun Enterprises Limited	393	Disposal of interest in a subsidiary which constitutes a major and connected transaction and including continuing connected transaction	6 April 2017

BUSINESS OF YU MING

Client Name	Stock Code	Nature of transaction	Announcement/ Circular/ Prospectus Date
Yuexiu Property Company Limited	123	Continuing connected transactions in relation to bank deposits at a bank which is connected person of the issuer	19 May 2017
PacRay International Holdings Limited	1010	Voluntary conditional cash offer to acquire all issued shares of the issuer	10 August 2017
Glorious Sun Enterprises Limited	393	Disposal of properties which constituted a connected transaction of the issuer	13 October 2017
Yuexiu Property Company Limited	123	Acquisition of a project company which constituted connected and disclosable transaction	14 February 2018
Glorious Sun Enterprises Limited	393	Disposal of interest in a subsidiary which constituted a major and connected transaction and including continuing connected transaction	4 October 2018

Retainer

Yu Ming may also be engaged as financial adviser on a retainer basis. In such cases, the engagement letters usually have a duration of twelve months or some has no fixed period, and some are subject to termination by notice. Under such retainers, Yu Ming generally is to provide financial advisory services to listed companies on general obligations under the Listing Rules, the GEM Listing Rules and the Takeovers Code upon enquiries by clients.

Commission based and other services

Yu Ming's commission based and other services include underwriting and placing of securities of listed issuer and other corporate finance related services such as advisory on financial products/investment portfolio disposal or financing services incidental to specific financial advisory transactions.

Yu Ming has not entered into any engagement during the Track Record Period where Yu Ming was engaged as the placing agent or underwriter for new issue of securities.

BUSINESS OF YU MING

Fees and payments

Yu Ming's corporate finance advisory fees for acting as financial advisor for specific transaction or issues, and for acting as independent financial adviser are determined on a case by case basis with reference to the scope of work, complexity and size of the transactions, as well as expected resources required to complete the transaction.

For retainers, Yu Ming generally charges its client a fixed monthly fee, which is determined in advance with the client with reference to the expected volume of work and manpower required.

For commission based services, Yu Ming generally charges commission based on certain percentage of the offering value.

Payment terms of the advisory fees also varied depending on the nature of the engagement concerned and are typically clearly set out in the engagement letters. For specific financial advisory services, fees in general comprised an upfront payment and the balance based on milestones with reference to the progress of the relevant transactions in accordance with the engagement letters with the client. In particular, for engagements involving proxy fights or hostile situations, fees are usually required to be paid upfront upon or shortly after the signing of the engagement letter. For engagements involving restructuring and resumption proposals, fees usually are made up of an upfront fee and a success based fee, and fees such as placing/underwriting commission is payable upon completion of the relevant transaction.

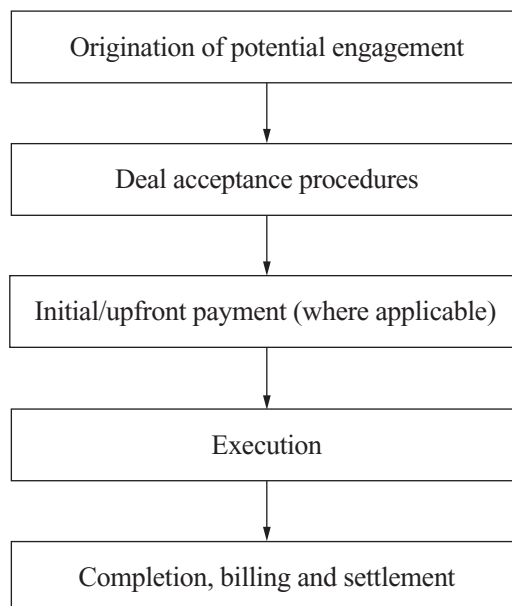
During the Track Record Period, the advisory fees for each engagement (i) in acting as financial adviser for specific transaction or issue ranged from approximately HK\$50,000 to HK\$9,200,000; (ii) in acting as independent financial adviser ranged from approximately HK\$180,000 to HK\$700,000; and (iii) under retainer, ranged from approximately HK\$30,000 to HK\$250,000 per month.

Debit notes were usually issued in accordance with the terms of the engagement letters but there may be individual cases where due to development or status of the transaction, issue of debit notes may be postponed or fees amended. Formal credit terms are usually not granted to clients and payments are required to be made within a reasonable period of time after the issuance of a debit note.

BUSINESS OF YU MING

Operation Procedures

For illustration purposes, the operation procedures for Yu Ming's corporate finance advisory services are as follows:



Origination of potential engagement

Referrals are the major source of business of Yu Ming. Other sources of business include repeat clients and business opportunities arising from Yu Ming's senior management.

Yu Ming will typically conduct preliminary discussions with the prospective client to understand the background and the feasibility of the contemplated transaction. The Responsible Officers of Yu Ming would conduct a preliminary assessment taking into account, inter alia, the resources of the team available for the relevant transaction over its relevant period, possible conflict of interest, the background of the potential client and estimate the fee to be charged.

Deal acceptance procedures

Before initiating further negotiation with potential clients with whom Yu Ming have had not previously worked with, it will obtain and review the background information of new customers such as financial information, shareholding structure, corporate documents, the identity of management and major shareholders and other information available in the public domain.

Internal independence check are conducted to avoid potential conflict of interest with the relevant clients engagement as independent financial adviser to confirm independence of Yu Ming before acceptance of engagements to ensure no conflict of interest will arise from the engagement.

BUSINESS OF YU MING

Yu Ming will then propose the fee to client and the draft mandate will be prepared by a project manager and presented to a Responsible Officer for review and approval before issuing to client. Set out below is a summary of the salient terms of typical engagement letter between Yu Ming and its clients for corporate finance advisory services.

Scope of work, deliverables and terms of contract

The engagement letter lays out the scope of work and objectives to be accomplished, such as provision of compliance advisory service, drafting and obtaining approval from the Stock Exchange and the SFC for the issue of announcements and circulars.

Fees

The fees and expenses payable by client and the terms of payment will be clearly set out.

Termination

For retainers, clients are generally allowed to terminate the contract by giving written notice for an agreed notification period.

Indemnity by clients

Client agrees to indemnify Yu Ming, its directors, officers and employees from and against all claims which are made against any one or more of them from and against all claims as a result of Yu Ming acting as the financial adviser to client, provided always that there is no gross negligence on the part of Yu Ming.

Initial/Upfront Payment

For some engagements, clients are required to pay initial/upfront payment upon or shortly after the signing of the engagement letter. For details, please refer to the sub-section headed “Fees and payments” in this section above.

Execution

Once the engagement letter is executed, the corporate finance team will commence work on the transaction.

BUSINESS OF YU MING

Obtain information and conduct due diligence

Works for acting as financial adviser for specific transactions and as independent financial adviser typically include:

- Schedule and hold meetings with clients to discuss the structure of the transactions and the relevant regulatory implication requirements stipulated under the Listing Rules, the GEM Listing Rules, the SFO and/or the Takeovers Code;
- Obtain information from the client and/or other professional parties working in the transaction, and in appropriate cases prepare due diligence questionnaire for such purpose;
- Review relevant background documents of the client such as the public announcements, press releases, circulars and financial statements; and
- Review the terms of the relevant transactions.

Delivery of relevant document or letter of advice

Yu Ming's designated transaction team prepares the draft documents (such as announcements, circulars, and submissions to be made to the Stock Exchange or the SFC, or letters of advice for independent financial advisory). Where necessary, the transaction team would conduct relevant research to support its analysis. In cases where third party experts are engaged, appropriate due diligence is also carried out, including, but not limited to, obtaining and reviewing the terms of engagement from the third party expert, reviewing the relevant reports and the underlying assumptions adopted therein as well as conducting due diligence interviews before submissions is made to the regulators, in particular, the Stock Exchange and/or the SFC (where necessary).

Seek clearance of relevant documents or letter of advice from the Stock Exchange and/or the SFC

After the relevant transaction documents or letters of advice are delivered to the Stock Exchange and/or the SFC, Yu Ming will assist client to liaise with the Stock Exchange and/or the SFC with an aim to obtain their clearance on the transaction documents or letter of advice. Where the Stock Exchange and/or the SFC raises enquiries on the transaction or the relevant documents, Yu Ming will also lead the preparation of the response.

Completion, billing and settlement

Most engagements of Yu Ming involve documents to be prepared and published in accordance with the Listing Rules, the GEM Listing Rules and/or the Takeovers Code, and depending on the terms of the specific engagement letters, these transactions are considered completed upon signing off of the documents.

BUSINESS OF YU MING

Where the agreed service fee has milestone payments, such as fee payable upon publication of announcement and circular, Yu Ming will then issue the relevant debit note to client in accordance with the agreed milestone.

During the Track Record Period, Yu Ming did not experience any material default in settlement for services rendered.

ASSET MANAGEMENT

Yu Ming's asset management services involve the provision of investment management services to SHK, the first investment company listed on the Main Board under Chapter 21 of the Listing Rules on 21 December 1990. An investment company listed under Chapter 21 of the Listing Rules is expected to have a management company and may also have an investment adviser. In addition to the directors of the investment management company, under Rule 21.04(1) of the Listing Rules the Stock Exchange must also be satisfied as to the fitness, competence and experience of the directors of its management company and/or its investment manager. Yu Ming has been appointed by SHK as its investment manager on an exclusive basis since 5 March 1997. The appointment was normally for a term of 3 years and has been renewed every 3 years which has been subject to the approval by the independent shareholders of SHK.

During the Track Record Period, Yu Ming's services to SHK was provided under the Management Agreement, which was approved by the independent shareholders of SHK at the extraordinary general meeting held on 29 December 2015, pursuant to which Yu Ming's appointment was extended for another 3 years for the period from 1 January 2016 to 31 December 2018. At the extraordinary general meeting of SHK held on 12 September 2018, the independent shareholders of SHK approved the New Management Agreement, pursuant to which Yu Ming's appointment is further extended for another 3 years for the period from 1 January 2019 to 31 December 2021.

Since the commencement of Yu Ming's asset management business in 1997 and during the Track Record Period, SHK has been the sole client of this segment of Yu Ming's business.

Services

Under each of the Management Agreement and the New Management Agreement, the investment services to be provided by Yu Ming to SHK include identifying, reviewing and evaluating investment and realization opportunities for SHK, making investment or realization recommendation to the SHK Exco, executing investment and realization decisions and instructions relating to SHK's investment as approved by the SHK Exco, and based on such information as may be reasonably available to it, monitoring the performance and supervising the maintenance of the assets of SHK.

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Yu Ming shall also provide certain day-to-day administrative services to SHK including keeping books of accounts and records relating to the business of SHK, preparing half-yearly reports and accounts, preparing draft interim and annual financial statements, filing of statutory returns or registrations under the Companies Ordinance, business registration and taxation legislation.

Yu Ming is entitled to retain agents to perform or assist in performing any of such services.

Fees and payments

Pursuant to the Management Agreement and the New Management Agreement, Yu Ming is entitled to receive (i) quarterly in arrears, management fee, being 0.375% of the consolidated net asset value attributable to the owners of SHK for such quarter without deduction of the management fee attributable to the relevant quarter (“**Gross NAV**”), calculated as the arithmetical average of the published Gross NAV; and (ii) annually in arrears, performance fee, being 20% of the amount by which the audited NAV of SHK of the relevant year (disregarding the effect of new issue of securities, declaration, distribution or payment of dividends or return of capital to shareholders) exceeds the High Watermark.

The performance fee is an incentive to ensure the interest of Yu Ming and SHK is aligned. As it is calculated based on the excess of the latest audited NAV over the NAV of the last High Watermark, it is therefore contingent and not predictable. Furthermore, NAV highly correlates with overall market trend and economic conditions, which fluctuates. Performance fee from SHK therefore also fluctuates and is uncertain.

Under the Management Agreement, the aggregate annual amount payable by SHK to Yu Ming was capped at HK\$85 million, HK\$135 million and HK\$170 million for each of the financial year ended 31 December 2016, 2017 and 2018 respectively. Under the New Management Agreement, the aggregate annual amount payable by SHK to Yu Ming was capped at HK\$110 million, HK\$140 million and HK\$175 million for each of the financial year ending 31 December 2019, 2020 and 2021 respectively.

Set out below is the revenue breakdown of the service fee received from SHK during the Track Record Period:

	Year ended 31 December					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Management fee	17,424	100.0	19,288	91.0	17,824	100.0
Performance fee	—	—	1,916	9.0	—	—
Total	<u>17,424</u>	<u>100.0</u>	<u>21,204</u>	<u>100.0</u>	<u>17,824</u>	<u>100.0</u>

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The management fee and the performance fee shall be calculated by a qualified accountant of SHK and notified to both SHK and Yu Ming within 14 business days of the end of each quarter and the issue of the audited accounts of SHK for the relevant year respectively, and their payment shall be made within 14 business days after the date of such notification.

For the day-to-day administrative services provided by Yu Ming to SHK under the Management Agreement and the New Management Agreement, SHK shall reimburse 40% of the renovation expenses, furniture and fixtures, rents, management fee, utilities, and rates in relation to the premises and office overhead expenses, such as postage, telecommunication, photocopying, insurance, courier and cleaning expenses incurred by Yu Ming. Such disbursement income amounted to HK\$1.4 million, HK\$0.9 million and HK\$1.0 million for the three years ended 31 December 2016, 2017 and 2018.

Services Performed

Background

As provided under the Management Agreement and the New Management Agreement, Yu Ming shall in performing the services have regard to the investment strategy of SHK from time to time. SHK Exco is responsible for setting and reviewing investment strategies and policies of SHK, but the SHK Board may also direct SHK to invest in the type of investments or countries where the SHK Board may consider appropriate. Yu Ming shall initiate investment ideas, carry out research on investment ideas and make recommendation for review by the SHK Exco and execute the investment decisions approved by SHK Exco.

Flow of Investment Decision

Below sets out the usual involvement of Yu Ming in investment decisions of SHK. However, SHK has the power to carry out any of the investment functions on its own (be it origination, research, execution, settlement, monitoring) without involving Yu Ming.

Origination

Investment opportunities and ideas come from networking, observation, extensive reading and analysis.

- Where Yu Ming finds an investment opportunity or theme attractive, it will bring it to the attention of SHK Exco for discussion. If SHK Exco approves of the theme or the potential investment, it will usually delegate the investment team of Yu Ming to prepare an analysis on the theme or the opportunity.
- SHK Board and SHK Exco may also initiate investment ideas for Yu Ming to carry out additional research and analysis. If the investment team is convinced that an investment theme and/or opportunity is attractive, it will put forward the research and analysis to SHK Exco for deliberation.

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Research

Research by Yu Ming includes desk top analysis, interviews as well as on-site due diligence.

- Desk top analysis: Understanding the industry norms in terms of valuation, capital structure, profit margins, other financial analysis, market trend, news and history of the issuers, using resources such as Bloomberg, research reports by institutional brokers, newspapers, company announcements.
- Interviews: Whenever possible, the investment team conducts face-to-face meetings with companies' management for a thorough understanding of their business and financial standing, and updates of developments of companies.
- Due diligence: For unlisted investments, there may be on site due diligence on the management and the companies. The level of due diligence will depend on the direction of SHK Exco. Legal due diligence on the title of assets and licences by legal advisers are usually compulsory prior to commitment in this category of investments.

Execution

Execution of all investments and disposals is subject to prior approval of SHK Exco, either with specific or general terms and conditions.

For tradable securities:

- On Market: The investment team is primarily responsible for placing orders with intermediaries on behalf of SHK. Whether or not trades are executed, the market intermediaries will inform Yu Ming on the same day. If trades are executed, the market intermediary will send written confirmation to Yu Ming and SHK.
- Off Market: Once counterparty is identified, the investment team is primarily responsible for preparing or reviewing the necessary agreements and settlement documentations for the execution by persons authorized by SHK Exco.

For unlisted investments:

Unlisted investments may include direct investment in unlisted (or sometimes listed) issuers as well as properties. Yu Ming is usually not involved in the execution of these types of investments.

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Payment and delivery approval

After trades are executed, and payment or delivery requests are received, the accounting department of Yu Ming will prepare payment or delivery instructions for approval by the relevant bank signatories of SHK.

Disposal

Divestment decisions follow essentially the same procedures as investment decisions. Main reasons for disposals of investments include: (i) the expected return has already been achieved/exceeded the target set by SHK Exco; (ii) the investment has no prospects of appreciation in value; (iii) there are better risk/reward alternatives; and/or (iv) there are liquidity concern.

The management team will make recommendations to SHK Exco and all disposal decision has to be approved by SHK Exco and thereafter executed by SHK or Yu Ming.

Daily monitoring

News review

The investment team monitors the investment portfolio of SHK on a daily basis. Monitoring includes price observation, reviewing results announcements, brokers' reports and rating changes, major news concerning issuers or relevant parties of SHK's portfolio.

Upon observation of any major news or events, the investment team will discuss with the managing director, who will report to SHK Exco if he considers it necessary.

Receipts

The accounting department of Yu Ming is responsible for monitoring scheduled receivable (such as declared dividends, interest, repayments or sale proceeds) from investments of SHK.

Commitments

The accounting department of Yu Ming is responsible for monitoring scheduled payments of SHK such as consideration or instalment for investments. It will prepare payment approval and authorization in advance of the commitments.

Administrative Services

Save for the investment management services described above, Yu Ming also provides SHK basic accounting, settlement and other administrative and secretarial services, which is part and partial of the investment management agreement, and no separate service fee is charged to SHK other than agreed disbursements. Services provided by Yu Ming includes (i)

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payment and settlement of trade upon execution of buy and sell transactions; (ii) prepare daily securities report; (iii) prepare daily cash report; (iv) prepare monthly management account; and (v) prepare annual and interim audit matters.

PROPRIETARY TRADING

During the Track Record Period, Yu Ming has also engaged in proprietary trading of equity securities and fixed income products, selecting investment targets based on Yu Ming's own risks profile and investment cycle.

Yu Ming has a proprietary trading policy under which it (i) has to give priority to satisfying a client order; (ii) cannot deal in accordance with a recommendation, research or analysis to be published to clients until clients have had a reasonable opportunity to act on the information; (iii) except with the prior written consent of the compliance officer, cannot deal ahead of any transaction to be carried out on behalf of a client, or where the house account and a client have invested in the same investment, can only dispose of its holdings following the disposal of holdings on behalf of a client; and (iv) has to comply with the requirements of the restricted list system (as set out in the paragraph headed "Restricted list – Risk Management and Internal Control Procedures"). The directors of Yu Ming confirmed that Yu Ming does not trade ahead of any transaction to be carried out on behalf of SHK under the proprietary trading business.

As advised by the Proposed Directors, Yu Ming does not intend to actively engage in proprietary trading after Acquisition Completion, and since Yu Ming will declare and distribute dividends to its Shareholder prior to Acquisition Completion to the extent that Yu Ming maintains a net asset value of no less than HK\$10 million, it is expected that Yu Ming will distribute all the investment assets it holds to the Vendor prior to Acquisition Completion in specie to satisfy the dividends declared.

However, Yu Ming may, incidental to its corporate finance engagements, (i) receive listed securities as fees in lieu of cash payment and; (ii) underwrite listed securities. The Enlarged Group will establish risk management process upon Resumption to evaluate, monitor and manage the risks associated with its proprietary investments and tradings.

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Set out below is the breakdown of the net financial income generated by Yu Ming's proprietary trading during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from financial assets at fair value through other comprehensive income	5,914	5,556	1,237
Interest income from bank deposits	<u>178</u>	<u>583</u>	<u>1,783</u>
Total interest income derived from financial assets not at fair value through profit and loss	6,092	6,139	3,020
Realised gain on redemption of financial assets at fair value through other comprehensive income	3,577	1,623	–
Fair value loss on financial assets at fair value through profit or loss	(2,143)	(273)	(378)
Exchange (loss)/gain, net	(544)	886	521
Dividend income	878	–	–
Loss allowance for expected credit losses on financial assets at fair value through other comprehensive income	<u>(773)</u>	<u>–</u>	<u>–</u>
Net financial income generated from proprietary trading	<u><u>7,087</u></u>	<u><u>8,375</u></u>	<u><u>3,163</u></u>

During the Track Record Period, Yu Ming did not actively participate in dealings of securities for its proprietary trading. For the year ended 31 December 2017 and 2018, save for the redemption of bonds by the issuers, Yu Ming did not make any dealings in such segment.

Set out below is a summary of Yu Ming's dealings of securities for its proprietary trading during the Track Record Period:

Equity securities

During the year ended 31 December 2015, Yu Ming subscribed the under-subscribed shares of an open offer of Kingwell Group Limited (stock code: 1195) as an underwriter. Save for certain of such shares, Yu Ming has disposed all its equity securities during the

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Track Record Period. The relevant income from the equity securities and gain/(loss) on disposal of equity securities were recorded in the “Dividend income” and “Fair value loss on financial assets at fair value through profit or loss” above.

Debt securities

During the Track Record Period, (i) an US\$ denominated bond with coupon rate of 4.75% and an US\$ denominated bond with coupon rate of 6% were subscribed by Yu Ming, and an US\$ denominated bond with coupon rate of 8% and an US\$ denominated bond with coupon rate of 6.375% were redeemed by the issuers for the year ended 31 December 2016; (ii) an US\$ denominated bond with coupon rate of 6% was redeemed by the issuer for the year ended 31 December 2017; and (iii) a RMB denominated bond with coupon rate of 6.9% was redeemed by the issuer for the year ended 31 December 2018.

The relevant income from the debt securities and gain on redemption of debt securities were recorded in the “Interest income from financial assets at fair value through other comprehensive income”, “Realised gain on redemption of financial assets at fair value through other comprehensive income” and “Exchange (loss)/gain” above.

CLIENTS

Corporate Finance Advisory

Yu Ming had acted for over 60 clients during the Track Record Period. Corporate finance advisory clients are mainly companies listed on the Stock Exchange and shareholders and investors of companies listed on the Stock Exchange.

Repeat business from clients and referrals from professional parties have contributed to the client base of the corporate finance advisory business of Yu Ming. Yu Ming’s top five largest clients of this business segment for each of the financial years ended 31 December 2016, 2017 and 2018 in aggregate contributed approximately 42.1%, 34.9% and 35.6% respectively of Yu Ming’s total revenue and approximately 61.3%, 50.0% and 52.0% respectively of Yu Ming’s revenue from its corporate finance advisory business. The largest client of Yu Ming of this business segment for each of the financial years ended 31 December 2016, 2017 and 2018 accounted for approximately 10.0%, 8.2% and 9.2% respectively of Yu Ming’s total revenue and approximately 14.6%, 11.7% and 13.5% respectively of Yu Ming’s revenue from its corporate finance advisory business. Due to the “one-off” nature of many corporate finance transactions, Yu Ming’s largest clients’ contribution to revenue will tend to vary from year to year.

The tables below set out the revenue generated from the five largest clients of Yu Ming’s corporate finance advisory services, their business background and the services provided by Yu Ming, for each of the financial years ended 31 December 2016, 2017 and 2018.

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For the year ended 31 December 2016

Customer	Customer business at the time of signing engagement letter	Yu Ming's role	Revenue recognized <i>HK\$'000</i>	% of total revenue	% of corporate finance advisory services revenue
Client A	Manufacturing and selling of pure cashmere apparel and other apparel products	Financial adviser	6,000	10.0	14.6
Client B	Manufacturing and sale of cement, clinker and concrete	Financial adviser	5,571	9.3	13.5
Client C	Provision of B-to-C consumer services, healthcare services and distribution of cooling system	Financial adviser	5,300	8.8	12.9
Client D	Trading of construction machinery and spare parts and leasing of the construction machinery; sales of proprietary Chinese medicine	Financial adviser	4,415	7.4	10.7
Client E	Investment holding	Financial adviser	2,000	3.3	4.8
Autobest Holdings Limited	Investment holding	Financial adviser	2,000	3.3	4.8
Total			<u>25,286</u>	<u>42.1</u>	<u>61.3</u>

Note: The revenues recognized from client E and Autobest Holdings Limited were the same for the year ended 31 December 2016.

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For the year ended 31 December 2017

Customer	Customer business at the time of signing engagement letter	Yu Ming's Role	Revenue recognized <i>HK\$'000</i>	% of total revenue	% of corporate finance advisory services revenue
Client F	Investment holding	Financial adviser	6,000	8.2	11.7
Client G	Media and communications products businesses	Financial adviser	5,850	7.9	11.4
Client H	Production and sales of industrial gases	Financial adviser	5,000	6.8	9.7
Client I	Construction engineering business	Financial adviser	4,500	6.1	8.8
Client B	Manufacture and sale of cement, clinker and concrete	Financial adviser	4,337	5.9	8.4
Total			25,687	34.9	50.0

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For the year ended 31 December 2018

Customer	Customer business at the time of signing engagement letter	Yu Ming's Role	Revenue recognized <i>HK\$'000</i>	% of total revenue	% of corporate finance advisory services revenue
Client J	Company in liquidation	Financial adviser	5,500	9.2	13.5
Client K	Finance related business	Financial adviser	5,000	8.4	12.3
Client L	Mining of bentonite and the production and sales of drilling mud and mining of iron and steel	Financial adviser	4,000	6.7	9.8
Client M	Operation of beauty centers, spas and medical beauty centers	Financial adviser	3,687	6.2	9.0
Manfield Chemical Holdings Limited	Manufacture and sales of liquid coating	Financial adviser	3,000	5.1	7.4
Total			21,187	35.6	52.0

To the best knowledge of the Proposed Directors, except for Autobest Holdings Limited and Manfield Chemical Holdings Limited which are connected persons (details of which are set out in the section headed “Past Connected Transactions” of this prospectus), none of the Proposed Directors, their close associates, or the Vendor, held more than 5% of the issued share capital of any of the five largest clients mentioned in the tables above which are listed issuers, or in respect of any of such five largest clients which is not a listed issuer, any interest in their share capital, during the Track Record Period.

Asset Management

From the commencement of its business and during the Track Record Period, SHK has been the sole client of Yu Ming for its asset management services. Yu Ming has not undertaken services to other investment companies listed under Chapter 21 of the Listing Rules as it decided to avoid potential conflict of interests which may arise from allocation of investment opportunities and resources allocation, and to dedicate resources to SHK. Yu Ming's decision to focus its asset management services on SHK is largely to (i) ensure a high standard of investment management service is provided to SHK; (ii) avoid potential conflict of interest in allocation of investment opportunities and time allocation; (iii) eliminate any suspicion of leakage of information to competitors; and (iv) to avoid unnecessary additional administrative works associated with allocations mentioned above,

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which reduces efficiency. As disclosed in the circular of SHK dated 11 December 2015, save for the year 2012, SHK's investment has outperformed the Hang Seng Index six out of seven years since 1 January 2008. As disclosed in the circular of SHK dated 24 August 2018, in the past ten years, the SHK Group's net assets value increased from approximately HK\$598.2 million as at 31 December, 2008 to approximately HK\$1,343.5 million as at 31 December 2017, representing a CAGR of 9.41% which outperformed the CAGR of the Hang Seng Index of 8.47% during the same period. The SHK Board has therefore been of the view that obtaining continued investment management services from Yu Ming is in the best interest of SHK and its shareholders.

Yu Ming's five largest clients for each of the financial year ended 31 December 2016, 2017 and 2018 contributed approximately 66.8%, 59.1% and 62.1% respectively of Yu Ming's revenue (corporate finance advisory and asset management services) in aggregate.

SUPPLIERS AND INVENTORY

Due to the nature of Yu Ming's principal business activities, it had no major suppliers and carried no inventory during the Track Record Period.

SALES AND MARKETING

Yu Ming has not conducted any marketing or promotional activities during the Track Record Period as it generally generates new business through repeat engagement by clients and referrals.

RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, Yu Ming did not have any capital expenditure on research and development other than expenses for continued professional training of its staff.

REGULATIONS AND LICENSES

The corporate finance industry in Hong Kong is highly regulated. The principal regulatory body governing Yu Ming's business is the SFC. Please refer to the section headed "Regulatory Overview" in this prospectus.

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SFO LICENSES

Yu Ming has obtained all licences, permits or certificates necessary to conduct its business activities. Since 6 December 2005 and as at the Latest Practicable Date, Yu Ming is licensed to carry on the following regulated activities under the SFO:

Type of license	Scope of license	Licensing conditions
Type 1	Licence to carry out Type 1 (dealing in securities) regulated activity	None
Type 4	Licence to carry out Type 4 (advising on securities) regulated activity	None
Type 6	Licence to carry out Type 6 (advising on corporate finance) regulated activity	with effect from 1 January 2007, shall not act as sponsor in respect of an application for the listing on a recognized stock market of any securities.
Type 9	Licence to carry out Type 9 (asset management) regulated activity	shall not provide a service of managing a portfolio of futures contracts for another person.

Pursuant to the SFO, licensed corporations are required to submit annual returns to the SFC within one month after each anniversary date of their licences. Failure to submit annual return before the due date could result in suspension and revocation of the licence. During the Track Record Period, Yu Ming has duly complied with such requirement for each year.

The Proposed Directors confirm that Yu Ming has, during the Track Record Period and up to the Latest Practicable Date, obtained all requisite licenses, permits and certificates necessary to conduct its operations from the relevant governmental and regulatory bodies in Hong Kong and Yu Ming had complied with all applicable laws, regulations, rules, codes and guidelines in Hong Kong in connection with the business and operation of Yu Ming in all material respects.

SFC Licenses

As at the Latest Practicable Date, there were 8 persons licensed with the SFC and can carry on regulated activities for Yu Ming. 3 of them had been approved as Responsible Officers, of whom 1 has also been approved as Licensed Representative, and the other 5 approved as Licensed Representatives.

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Set out below are the Responsible Officers and Licensed Representatives of each regulated activity of Yu Ming under the SFO as at the Latest Practicable Date:

Regulated activities	Responsible Officers	Licensed Representatives
Type 1 (dealing in securities)	Mr. Warren Lee Mr. Lam Chi Shing Ms. Li Ming	Mr. Tam Ka Hei Raymond Mr. Fong Yun Sang Mr. Chow Kai Yip Nelson Mr. You Qian Mr. Li Jingyou
Type 4 (advising on securities)	Mr. Warren Lee Mr. Lam Chi Shing	Ms. Li Ming Mr. Tam Ka Hei Raymond Mr. Fong Yun Sang Mr. Chow Kai Yip Nelson Mr. You Qian
Type 6 (advising on corporate finance)	Mr. Warren Lee Mr. Lam Chi Shing Ms. Li Ming	Mr. Tam Ka Hei Raymond Mr. Fong Yun Sang Mr. Chow Kai Yip Nelson Mr. Li Jingyou
Type 9 (asset management)	Mr. Warren Lee Mr. Lam Chi Shing	Ms. Li Ming Mr. Tam Ka Hei Raymond Mr. Fong Yun Sang Mr. You Qian

Under the SFO, a licensed corporation shall not carry on any regulated activity unless not less than two Responsible Officers are approved by the SFC in relation to the regulated activity. During the Track Record Period, Yu Ming has had not less than two Responsible Officers in relation to each of the regulated activities approved to be carried out by the SFC.

MARKET AND COMPETITIVE LANDSCAPE

Competition in the corporate finance sector in Hong Kong is intense because of a large number of market players in corporate finance advisory services and that a substantial amount of capital is not required.

According to the SFC, as at 31 December 2018, there were 1,350 licensed corporations to carry on Type 1 (dealing in securities); 1,445 licensed corporations licensed to carry on Type 4 (advising on securities); 331 licensed corporations licensed to carry on Type 6 (advising on corporate finance); and 1,643 licensed corporations licensed to carry on Type 9 (asset management) regulated activities. Due to the large number of market players which are licensed to carry out regulated activities, Yu Ming faces fierce competition in corporate finance advisory business. The Proposed Directors believe it is important to provide timely and professional advisory services and maintain a good reputation within the industry to remain competitive in the business.

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With the increasing number of listed companies in Hong Kong, the level of equity fund raising on the Stock Exchange, either through IPOs or in the secondary market, has been active. Rights issues, placings and others (which include funds raised through issue of consideration shares, warrants and share option schemes) have been significant source of fund raising for listed companies. While the market is active, competition in the underwriting and placing business in Hong Kong is intense because of the relatively large number of market players.

However, with highly regulated licensing requirements, the Hong Kong corporate finance industry presents potential new entrants with barriers to entry. Additionally, given the demand for corporate finance services is on a project-by-project basis, relevant industry experience and an extensive network of contacts are vital for deal flow, being another hurdle for new entrants into the corporate finance industry.

For more details on the industry Yu Ming operates in and the competition it currently faces, please refer to the section headed “Industry Overview” in this prospectus.

RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

Overview of internal control system

All persons registered with the SFC are required to comply with their ongoing obligation to satisfy the SFC that they remain fit and proper to be so registered. Accordingly, Yu Ming is required to comply with the relevant codes and regulations (such as the SFC Code of Conduct and the Internal Control Guidelines) issued by the SFC from time to time. In particular, the SFC Code of Conduct requires that a licensed corporation should have internal controls in place to protect its operations, clients and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions.

Yu Ming has adopted a series of internal control and has in place a compliance manual, setting out corporate policies and key internal control guidelines and procedures.

Review of internal control system

The Company has engaged an independent internal control reviewer in February 2017 to prepare an internal control review report on the Enlarged Group which is updated to 31 December 2018. No material deficiency was identified in relation to the business and operations of Yu Ming.

The Proposed Directors are of the view, and the Sponsor concurs, that the current internal control measures adopted by Yu Ming are effective to ensure its compliance with the relevant rules and regulations material to its business and operations.

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Key internal control procedures of Yu Ming

Key internal control policies and procedures of Yu Ming are as follows:

Confidentiality

In order to ensure that information of clients and their transactions are confidentially treated, such information should only be provided to those staff who are participating in the transaction. In particular, staff with responsibilities on both corporate finance advisory and asset management functions should not use the transaction information in performing asset management function. Staffs in possession of price sensitive or confidential information are required to ensure such information is handled carefully and relevant documents are properly secured and cannot be accessed by any third parties.

Restricted list

In order to prevent potential conflicts of interest from arising and insider dealing, a restricted list is maintained, listing out the names of the clients covered by the corporate finance transactions currently undertaken by Yu Ming. The securities of listed companies whose stock codes have been placed on the restricted list should not be dealt in by the funds managed by the asset management team or any staff without the approval of the compliance officer.

The restricted list is to be updated as and when new transactions are being undertaken, completed or terminated.

Employee trading policy

In addition to restriction on dealing in the listed securities where the relevant stock codes are in the restricted list to avoid conflict of interest and insider dealing, in compliance of Rule 12.2 of the SFC Code of Conduct, Yu Ming has a written policy that all employees are required to obtain the written consent of the compliance officer before dealing in any securities. In the event the employee is the compliance officer, he should obtain consent from the board of directors before dealing in the securities. Staff dealing policy is set out in the compliance manual.

Liquidity risk management

Yu Ming is required to maintain at all times a minimum paid-up share capital and liquid capital pursuant to the FRR. Such liquid capital computation is monitored by the accounting department of Yu Ming on a daily basis so as to ensure constant compliance with the relevant requirements by Yu Ming. The accounting department of Yu Ming also regularly prepares the required financial resources returns and computes the liquid capital in accordance with the requirements set out in the FRR.

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Independency checks for independent financial adviser's engagement

There is an independency check policy in place for independence checks for independent financial adviser's work to comply with independent financial adviser's declaration and undertaking to the Stock Exchange pursuant to the Listing Rules and the independence confirmation by the independent financial adviser to the SFC pursuant to the Takeovers Code.

Conflict Check Policy

Yu Ming further put in place a conflict check policy in October 2018 pursuant to which the managing director should perform conflict check prior to engagement to see whether the acceptance of the engagement will cause any conflict of interests among different parties. If conflict or potential conflict is found, Yu Ming would disclose to its clients the circumstances and can accept the engagement only if client provides written informed consent.

Whistle blower policy

The whistle blower policy is formulated to provide a channel for all staff to report on material concerns regarding any non-compliance with internal controls, incorrect or improper financial or other reporting, or any other suspected unlawful or improper practices or wrongful conducts.

Financial reporting policy

Draft management accounts are prepared by the accounting department of Yu Ming monthly after the end of each month. These management accounts will usually include a balance sheet, an income statement together with explanatory notes.

The draft management accounts and related FRR are sent to executive director of Yu Ming for comment after review by the financial controller of Yu Ming.

After approval by executive director, the related FRR is e-submitted to the specified SFC's website by the accounting department.

Cash management policy

For any surplus cash, the financial controller of Yu Ming should ensure that they are placed with authorised institutions for such periods that maturing deposits (together with credit facilities, as the case may be) will be able to meet known outgoings.

The accounting department of Yu Ming should obtain daily interest rate quotations from at least 3 authorised institutions for comparison.

Bank deposit orders are placed by the assistant accountant over the phone or through emails, as appropriate, after approval from the financial controller.

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Record keeping

Yu Ming must keep records in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong) to ensure that it maintains comprehensive records in sufficient detail relating to its businesses and client transactions for proper accounting of its business operations and clients' assets.

Know your clients and anti-money laundering and counter terrorist financing

Licensed corporations registered under the SFO are required to comply with the Hong Kong laws and the SFC Guidance on Anti-Money Laundering and Counter-Financing of Terrorism (for Licensed Corporation) which require licensed corporations, amongst other things, to carry out customer due diligence measures. Staff of licensed corporations who know, suspect or have reasonable grounds to believe that a client might have engaged in money laundering activities must immediately report to the legal and compliance division for attention and handling which, in turn, will be reported to the JFIU. Know your client policies is incorporated in Yu Ming's compliance manual.

Complaints and regulatory compliance

During the Track Record Period and up to the Latest Practicable Date, Yu Ming has not received any written complaints from its clients and, save as disclosed in the sub-section headed "Litigation and Disciplinary Actions" below, has not been subject to any litigation or claims resulting from services provided to its clients. As at the Latest Practicable Date, no disciplinary, investigation or enforcement action is being taken against Yu Ming and/or its staff.

Yu Ming is required to submit monthly FRR return to the SFC. Monthly FRR return and management accounts are prepared by the accounts department of Yu Ming for internal review. Final approved monthly FRR return will be submitted by accounts department to the SFC. During the Track Record Period and up to the Latest Practicable Date, Yu Ming has complied with the FRR submission requirement at all times.

To the best knowledge and belief of the Proposed Directors, there has not been any material non-compliance by Yu Ming of the requirements under SFO and guidelines of the SFC.

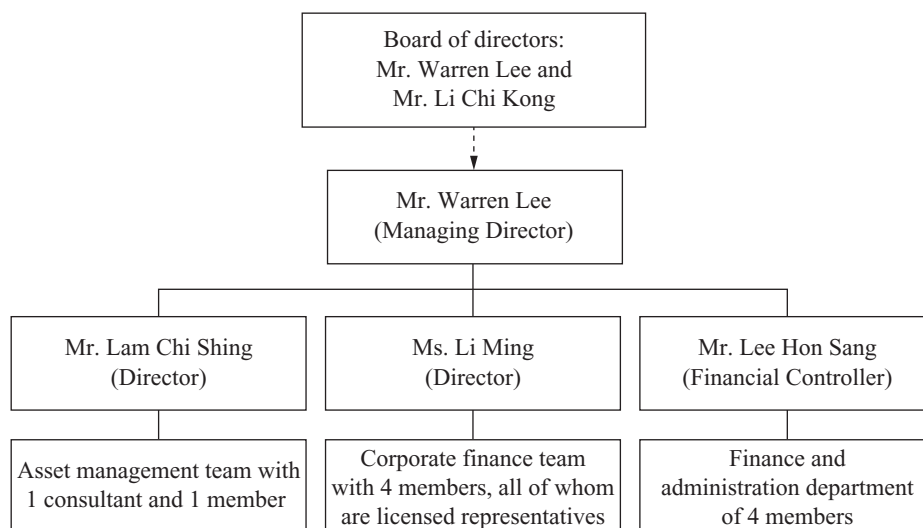
BUSINESS OF YU MING

EMPLOYEES

The table below set forth a breakdown of the number of Yu Ming's employees by business function as at 31 December 2016, 2017 and 2018:

	As at 31 December		
	2016	2017	2018
Director and senior management	5	5	5
Corporate Finance	3	3	4
Asset Management	2	2	1
Finance and administration	4	4	4
Total	<u>14</u>	<u>14</u>	<u>14</u>

As at the Latest Practicable Date, the organisation structure of Yu Ming is as follows:



Staff training

All Responsible Officers and Licensed Representatives are required to undertake a sufficient number of hours of continuous professional training in order to maintain their SFC licences to carry on regulated activities.

Relationship with employees

Yu Ming has maintained a good relationship with its employees during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, Yu Ming has not experienced any strikes or labour disputes which have materially and adversely interfered with its operations.

BUSINESS OF YU MING

Yu Ming has established a remuneration review system. The head of each team is responsible for conducting review and performance appraisal of the staff of their own team.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Yu Ming maintains medical and life insurance for its employees. Policies and procedures regarding work safety and occupational health issues were adopted by Yu Ming.

During the Track Record Period and up to the Latest Practicable Date, Yu Ming did not incur any cost of compliance with applicable environmental protection and safety rules and regulations, as Yu Ming does not generate industrial pollutants and does not raise any material safety issues due to nature of business of Yu Ming.

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had not come across any material non-compliance issues in respect of any applicable laws and regulations on environmental protection and work safety or any complaints from employees, clients or the public in respect of work safety and health issues relating to Yu Ming's operations. The Proposed Directors are of the view that there are no environmental and safety laws and regulations which may affect the provision of financial advisory services in any material respect and that the operations of Yu Ming are in compliance with the applicable laws and regulations of Hong Kong in all material respects.

PROPERTIES

As at the Latest Practicable Date, Yu Ming did not own any property. Yu Ming leased its principal place of business at Room 1801, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong. It also leased part of Room 1802 (re-designated as extension area to Room 1801 as from April 2019) and part of 24/F of the same building for copying room and pantry and director's office respectively.

Details of the leased properties are set out as below:

Address	Use of Property	Monthly Rental (Note) HK\$'000	Term of Tenancy
Room 1801, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Office	68.0	1 April 2017 to 31 March 2019 and extended to 30 June 2019

BUSINESS OF YU MING

Address	Use of Property	Monthly Rental (Note) HK\$'000	Term of Tenancy
Part of Room 1802 (re-designated as extension area to Room 1801 as from April 2019) and part of 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Office	19.5	1 April 2017 to 31 March 2019 and tenancy extension/ license period from 1 April 2019 to 30 June 2019

Note: Exclusive of air-conditioning and management fee


The owner of the above properties is Art View Properties Limited, a company owned as to 50% by Allied Properties (H.K.) Limited, which in turn is a subsidiary of Allied Group, and 50% by third parties independent to Yu Ming. The leasing of the properties constitutes a connected transaction under the Listing Rules. Please refer to the section headed “Past Connected Transactions” in this prospectus for further information.

No valuation report has been included in this prospectus as they are exempted under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, Yu Ming owns one registered trademark and one domain name.

The domain name *www.ymi.com.hk*, being the website of Yu Ming, was registered on 17 May 2007 and is due to expire on 25 May 2020, subject to renewal. The registration prevents others from using the same domain name during the subsisting registration period.

Yu Ming has been conducting its business using the “Yu Ming” trade name. As at the Latest Practicable Date, Yu Ming has registered  trademark in Hong Kong, details of which are set out in the paragraph headed “B. Further information about the business of the Enlarged Group – 2. Intellectual property rights – (a) Trademarks” in Appendix V to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, Yu Ming has not been subject to any intellectual property infringement claim which would have had a material impact on its business, financial conditions or results of operations. Further details of Yu Ming’s intellectual property rights are set out in the paragraph headed “B. Further information about the business of the Enlarged Group – 2. Intellectual property rights” in Appendix V to this prospectus.

LITIGATION AND DISCIPLINARY ACTIONS

Litigation

During the Track Record Period and up to the Latest Practicable Date, save as set out below, Yu Ming had not been involved in any litigation, arbitration or other claims which would have a material adverse impact on the operations or financial position of Yu Ming.

Sandmartin International Holdings Limited (“**Sandmartin**”), a company whose shares are listed on the Main Board (stock code: 482), announced on 22 December 2016 that it had received a writ of summons filed by Zhi, Charles as the plaintiff against (i) Mr. Hung Tsung Chin (an executive director and chairman of Sandmartin); (ii) Ms. Chen Mei Huei (an executive director and chief executive officer of Sandmartin); (iii) Liao Wen I (an executive director of Sandmartin); (iv) Frank Karl-Heinz Fischer (an executive director of Sandmartin); (v) Chen Wei Chun (an executive director of Sandmartin); (vi) Yu Ming and (vii) Sandmartin as defendants, under High Court Action No. HCA3346/2016. In the writ, the plaintiff claimed for (i) a declaration that all defendants have committed an offence under Part XV of the SFO which requires directors, chief executives and substantial shareholders to disclose their interests in the shares and debentures of Sandmartin, (ii) a declaration that the said directors have breached their fiduciary duties to Sandmartin, (iii) a declaration that Yu Ming willfully and knowingly advised Sandmartin to hide critical information about the connected parties relationship on proposed open offer and specific mandate announced by Sandmartin on 24 October 2016, (iv) an order for clarification announcement that the Stock Exchange was not oppressive but not ruled based, and (v) an order for Sandmartin to exert its power under Section 329 of SFO to investigate the holders of interests in its shares and debentures.

L & A International Holdings Limited (“**L & A**”), a company whose shares are listed on GEM (stock code: 8195) announced on 23 December 2016 that it had received a writ of summons dated 16 December 2016 filed by Lim Hang Young as plaintiff against (i) the Stock Exchange; (ii) Yu Ming; and (iii) L & A as defendants under High Court Action No.HCA3325/2016. Pursuant to the claims generally endorsed on the writ, the plaintiff sought, inter alia, (i) a declaration against the Stock Exchange that the Stock Exchange has acted in bad faith in the vetting of the share subscription during the general offer period, (ii) an order against the Stock Exchange to rescind all listing approvals, (iii) a declaration against Yu Ming that Yu Ming purposefully ill advised L & A to break various Listing Rules, including assisting L & A in its multi-layer marketing scheme and (iv) an order against L & A to apply for self-delisting.

L & A further announced on 6 January 2017 that it had received a writ of summons dated 3 January 2017 filed by Kim Sungho as plaintiff against (i) Strong Light Investments Limited, a substantial shareholder of L & A; (ii) FP Sino-Rich Securities & Futures Limited (“**FP**”); (iii) Yu Ming; and (iv) L & A as defendants under High Court Action No.HCA 1/2017. Pursuant to the claims generally endorsed on the writ, the plaintiff sought, inter alia, for (i) a declaration against Strong Light Investments Limited that it and its parties acting in concert has accumulated over 30% of the outstanding shares in L & A, thus triggering the

BUSINESS OF YU MING

mandatory general offer, and (ii) a declaration against FP and Yu Ming that FP purposefully ill advised L & A to break various Listing Rules, including assisting L & A in its multi-layering marketing scheme.

On 29 September 2017, Sandmartin announced that a consent order was made by the court to dismiss the proceedings against Sandmartin, Mr. Hung Tsung Chin, Ms. Chen Mei Huei and Liao Wen I. On 21 December 2017, L & A announced that, inter alia, High Court Action No. HCA3325/2016 against L & A was dismissed by the Court on the ground that the plaintiff failed to file and serve statement of claim on L & A.

As confirmed by Yu Ming, it has not been served with any of the writs mentioned above. It has been advised by its legal advisors that in such event no litigation has been commenced against Yu Ming in respect thereof, and that although a plaintiff is entitled to serve a writ on a defendant within 12 months of the issue of the writ and to apply for extension of the validity of the writ for a period of not exceeding 12 months from the expiry date of the writ and to serve the writ within such extended period, the writs have lapsed since they have not been served within such period. Yu Ming further confirms that it has not, up to the Latest Practicable Date, received any demand or claim from any of the said plaintiffs in relation to any of the matters mentioned in the said writs. The directors of Yu Ming confirmed that there is no basis for the allegations in the writs, and that up to the date hereof neither Yu Ming nor any of its Responsible Officers has received any enquiries from the Stock Exchange or the SFC in relation to any of the matters mentioned in the said writs. The directors of Yu Ming believe that if there is any veracity to any of these claims, Yu Ming would have been subject to Stock Exchange and/or the SFC in respect of the matters complained of. As at the Latest Practicable Date, no actions have been taken out by the authorities against Yu Ming. As such, the Proposed Directors consider that these claims would have no material adverse impact on Yu Ming's business, results of operations or financial condition.

On 8 May 2017 Yu Ming received a writ of summons dated 8 May 2017 filed by China Health Group Limited (formerly China Healthcare Holdings Limited) as plaintiff against (i) Yu Ming (the "Action"); (ii) Mr. Jia Hongsheng (賈虹生); and (iii) Mr. Zhao Kai (趙愷) as defendants under High Court Action No.HCA1077/2017. Pursuant to the statement of claim therein, the plaintiff sought, inter alia, against Yu Ming a declaration that the engagement letter entered into in March 2016 and another engagement letter entered into in May 2016 between the plaintiff and Yu Ming are void and an order that Yu Ming do forthwith pay the sum of HK\$5,300,000, being the fees paid by the plaintiff to Yu Ming under the said engagement letters, together with interest thereon from 8 May 2017 at the judgment rate to the plaintiff. Yu Ming has appointed legal advisor to act for it in relation to the Action. Yu Ming has on 7 June 2017 taken out an application to the court to strike out the Action on the ground that it discloses no reasonable cause of action and/or is frivolous or vexatious and/or is unnecessary and tends to prejudice, embarrass or delay the fair trial of the action and/or is otherwise an abuse of the process of the court. The hearing for the striking out application was heard on 19 June 2018 and the application was dismissed. The plaintiff filed an amended statement of claim (which amendments are principally additional details which the plaintiff averred support its claims, but no amendments were made to the actual claims and reliefs sought against the defendants in the statement of claim) on 30 August 2018, Yu Ming has filed its defence on 11 October 2018 and the plaintiff has filed its reply and also

BUSINESS OF YU MING

served a Mediation Notice on 4 January 2019. Yu Ming served its request for further and better particulars of the plaintiff's reply on 10 January 2019 and filed and served an amended defence on 17 January 2019. Mediation took place on 25 February 2019 but was unsuccessful and the parties failed to reach any agreement. The plaintiff filed and served answers to the request for further and better particulars of the plaintiff's reply on 18 April 2019.

Yu Ming's legal advisor is of the view that Yu Ming is entitled to rely on the "indoor management rule", which states that any person contracting with a company and dealing in good faith with the same may assume that acts within its constitution and powers have been properly and duly performed and are not bound to inquire whether acts of internal management have been regular. They are also of the view that there are contemporaneous records and correspondence evidencing Yu Ming's work done for the plaintiff pursuant to the engagement letters. Based on the information and documents provided to it by Yu Ming, Yu Ming's legal advisor is of the opinion that, the vagaries of litigation aside, Yu Ming is very likely to successfully defend the Action. No provision in respect of this case was made for the year ended 31 December 2017 and for the year ended 31 December 2018.

Disciplinary actions against Yu Ming and/or its employees

The Proposed Directors confirm that during the Track Record Period and up to the Latest Practicable Date, no disciplinary action has been taken by the SFC, the Stock Exchange and/or any law enforcement authority in Hong Kong against Yu Ming and/or its employees.

COMPLIANCE

The Proposed Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Yu Ming has complied with all applicable laws, regulations rules, codes and guidelines in Hong Kong which are material to its business and operation.

INSURANCE COVERAGE

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had maintained (i) employees' compensation insurance in accordance with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong); (ii) medical and life insurance for staff members as part of the employee benefits.

For each of the three years ended 31 December 2018, the total insurance expenses incurred by Yu Ming amounted to approximately HK\$0.2 million, HK\$0.1 million and HK\$0.2 million respectively. The Proposed Directors are of the view that Yu Ming has obtained adequate insurance coverage for the operation of its business. There has been no material claim made in respect of any of Yu Ming's insurance policies during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH THE SUBSTANTIAL SHAREHOLDER UPON RESUMPTION

OVERVIEW

Following completion of the YM Subscription, the Public Offer and the New Placing, based on Scenario I and Scenario II set out in the shareholding structure of the Company disclosed in the section headed “Letter from the Liquidators” of this prospectus, the Company will not have any controlling Shareholder and the following person will be the only Substantial Shareholder:

Name	Approximately percentage of shareholding(s)
Mr. Lee Wa Lun, Warren	19.9%

For more information relating to Mr. Warren Lee, please refer to the sub-section headed “**Proposed Directors and Senior Management of the Enlarged Group – Directors**” in this prospectus.

RULE 8.10 OF THE LISTING RULES

Each of the Proposed Directors (including Mr. Warren Lee) confirms that (i) save for the YM Subscription, each of them and their respective close associates did not have any transaction with the Enlarged Group during the Track Record Period and up to the Latest Practicable Date; and (ii) each of them and their respective close associates does not have any interest in a business apart from the Enlarged Group’s business which competes or may compete, directly or indirectly, with the Enlarged Group’s business, and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM SUBSTANTIAL SHAREHOLDER

The Proposed Directors do not expect that there will be any significant transactions between the Company and Mr. Warren Lee upon or shortly after Resumption.

The Proposed Directors are satisfied that the Company can carry on its business independent of and without undue reliance on Mr. Warren Lee and his close associates after the Resumption based on the following reasons:

Management independence

Upon Resumption, the Board will consist of seven Proposed Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors, and management and operational decisions are made by the executive Directors and senior management. Although Mr. Warren Lee is an executive Director and a Substantial Shareholder, the Company considers that members of the Board and senior management of the Company will function independently from Mr. Warren Lee because:

RELATIONSHIP WITH THE SUBSTANTIAL SHAREHOLDER UPON RESUMPTION

- (i) each of the Proposed Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of the Company and Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interests to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Enlarged Group and Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum;
- (ii) the Company has an independent management team, which is led by the executive Directors and senior management with substantial experience and expertise in Yu Ming's business, to implement the Enlarged Group's policies and strategies; and
- (iii) three proposed independent non-executive Directors have extensive experience in different areas or professions and will give independent advice to the Board from time to time.

Operational independence

The Enlarged Group has established its own organisational structure comprising individual departments, each with specific areas of business and responsibilities. Yu Ming has not shared its operational resources, such as customers and general administration resources with Mr. Warren Lee and his close associates.

The Proposed Directors confirmed that save for Mr. Warren Lee being the chairman and an executive director of SHK, none of Mr. Warren Lee and his close associates had any relationship with Yu Ming's five largest suppliers and customers (other than the ordinary and usual course of business of Yu Ming) during the Track Record Period and up to the Latest Practicable Date.

The Proposed Directors confirmed that Yu Ming will not enter into any transaction with Mr. Warren Lee and his close associates after Resumption that will affect its operational independence.

As disclosed in the paragraph headed "C. Further information about Directors, management, staff and experts – 3. Particulars of service agreements" in Appendix V to this prospectus, Mr. Warren Lee, being one of the Proposed Directors, will enter into a service agreement with the Company from the date of Acquisition Completion.

Financial independence

The Enlarged Group has its own accounting systems, accounting and finance department, independent treasury function for cash receipts and payment. The Enlarged Group makes financial decision according to its own business needs. The Enlarged Group's accounting and finance department is responsible for financial reporting, liaising with its auditors and reviewing its cash position.

RELATIONSHIP WITH THE SUBSTANTIAL SHAREHOLDER UPON RESUMPTION

The Proposed Directors confirmed that, as at the Latest Practicable Date, none of Mr. Warren Lee or his close associates had provided any loans, guarantees or pledges to the Enlarged Group. The Proposed Directors also confirmed that, as at the Latest Practicable Date, the Enlarged Group did not provide any loans, guarantees or pledges to Mr. Warren Lee or his close associates.

In view of Yu Ming's internal resources, net cash generated from operating activities and the estimated net proceeds from the Public Offer, the Proposed Directors believe that the Enlarged Group will have sufficient capital for its financial needs and for at least twelve months from the date in this prospectus without dependence on Mr. Warren Lee and his close associates. The Proposed Directors further believe that, upon Resumption, the sustainability of Yu Ming's business as demonstrated by its results of operation and financial position during the Track Record Period will enhance its ability to obtain loans and borrowings from banks independently without the support of Mr. Warren Lee and his close associates.

NON-COMPETITION UNDERTAKINGS

Upon completion of the YM Subscription, Mr. Warren Lee will enter into the Deed of Non-Competition in favour of the Company, pursuant to which, Mr. Warren Lee represents and warrants to the Company that none of Mr. Warren Lee nor his close associates is currently involved or engaged in any business or activity which, directly or indirectly, competes or may compete with the business of the Enlarged Group (the "**Restricted Business**"), or has any interest (whether directly or indirectly) in the Restricted Business (other than the interest in the Enlarged Group). In addition, Mr. Warren Lee, irrevocably and unconditionally, undertakes and covenants with the Company that, with effect from the date of the Resumption and for as long as the Company's shares remain listed on the Stock Exchange and Mr. Warren Lee, directly or indirectly, interested in 10% or more of New Shares in issue, or are otherwise regarded as Substantial Shareholder:

- (i) he shall not, and shall procure his close associates not to,
 - (a) compete with the Enlarged Group, directly or indirectly (other than through the Enlarged Group), by carrying on, participating in, holding, engaging in, being interested in, acquiring or operating, directly or indirectly, or provide any form of assistance to any person, firm or company to conduct any Restricted Business, save for the holding of not more than 5% shareholding interest in any company conducting the Restricted Business and listed on any recognised stock exchange;
 - (b) solicit any then current employee of the Enlarged Group for employment by him or his close associates (excluding any member of the Enlarged Group); and
 - (c) without the consent of the Company, make use of any information pertaining to the business of the Enlarged Group which may have come to his knowledge in his capacity as substantial shareholder or otherwise for purpose of engaging or participating in the Restricted Business.

RELATIONSHIP WITH THE SUBSTANTIAL SHAREHOLDER UPON RESUMPTION

- (ii) if he and/or any of his close associates (other than members of the Enlarged Group) become(s) aware of any business opportunity which is related to the Restricted Business, or which directly or indirectly competes, or may lead to competition with the business of the Enlarged Group (the “**New Business Opportunity**”) or such New Business Opportunity is made available to him or his close associates, he shall direct and/or shall procure his close associates to direct such New Business Opportunity to the Enlarged Group and inform the Enlarged Group of such New Business Opportunity on a timely basis but in any event no later than ten days from the date of becoming aware or receipt of such enquiry or knowledge of such New Business Opportunity together with such requisite information to enable the Enlarged Group to evaluate the merits of the New Business Opportunity; and
- (iii) he shall not pursue and shall procure his close associates not to pursue a New Business Opportunity unless the Enlarged Group decides not to pursue such New Business Opportunity and the principal terms of which Mr. Warren Lee or his close associates invests or participates in such project or New Business Opportunity are no more favourable than those made available to the Enlarged Group.

The Proposed Directors (including the proposed independent non-executive Directors) shall be responsible for reviewing, considering and deciding whether or not to take up any engagement or business opportunity referred by Mr. Warren Lee and/or his close associates and whether or not the New Business Opportunity constitutes the Restricted Business. Any Proposed Director who has an actual or potential material interest in the New Business Opportunity shall abstain from voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity (unless in certain circumstances as set out in the Articles).

Mr. Warren Lee may only engage, and shall procure his close associates only engage, in the New Business Opportunity if (i) a notice is received by Mr. Warren Lee from the Company confirming that the New Business Opportunity is not accepted and does not constitute the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by Mr. Warren Lee within 30 days after the proposal of the New Business Opportunity is received by the Enlarged Group.

The Deed of Non-Competition and the rights and obligations thereunder are conditional upon (i) the Stock Exchange granting the listing of, and the permission to deal in, the New Shares; and (ii) Listing and dealings in the New Shares on Stock Exchange taking place.

The Deed of Non-Competition shall cease to have any effect whatsoever upon the occurrence of the earliest of (i) the day on which the New Shares cease to be listed on the Main Board of the Stock Exchange; or (ii) the day on which Mr. Warren Lee and his close associates, individually or taken as a whole, cease to own, in aggregate, 10% or more of the then issued share capital of the Company directly or indirectly, or cease to be deemed as a Substantial Shareholder or cease to have power to control the Board; or (iii) the day on which Mr. Warren Lee beneficially owns or becomes interested jointly or severally in the entire issued share capital of the Company.

RELATIONSHIP WITH THE SUBSTANTIAL SHAREHOLDER UPON RESUMPTION

CORPORATE GOVERNANCE MEASURES

The Company will adopt the following corporate governance measures to manage any potential or actual conflict of interest between Mr. Warren Lee and the Company and to safeguard the interest of the Shareholders.

In order to ensure the performance of the above non-competition undertakings, Mr. Warren Lee undertakes that he will:

- (i) in case of any actual or potential conflict of interest, abstain from voting at any meeting or part of any meeting convened to consider any New Business Opportunity (unless in certain circumstances as set out in the Articles), and shall not be counted towards the quorum for such meeting;
- (ii) as required by the Company, provide all information necessary for the independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it;
- (iii) procure the Company to disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions made by its independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-Competition and the enforcement of it and, where applicable, the reason(s) why any New Business Opportunity referred to the Company by Mr. Warren Lee and/or his close associates was not taken up;
- (iv) ensure that the independent non-executive Directors shall make a declaration in relation to the compliance of the terms of the Deed of Non-Competition in the annual report of the Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-Competition and the enforcement of it are in accordance with the requirements of the Listing Rules; and
- (v) that during the period when the Deed of Non-Competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of Mr. Warren Lee of any statement, warrant or undertaking made under the Deed of Non-Competition.

Based on the above, the Proposed Directors are satisfied that there are sufficient and effective preventive measures to manage conflicts of interest between Mr. Warren Lee and the Company.

PAST CONNECTED TRANSACTIONS

OVERVIEW

During the Track Record Period, Yu Ming entered into certain transactions with Allied Group and/or its subsidiaries and their associate. As Yu Ming is wholly owned by Allied Group prior to Acquisition Completion, such transactions would have constituted connected transactions under the Listing Rules. Upon the Acquisition Completion, Yu Ming will cease to be a subsidiary and connected person of Allied Group.

Details of the past connected transactions of Yu Ming during the Track Record Period are set out below.

Management Agreements

Yu Ming has been the investment manager of SHK since 1997. As SHK is a subsidiary of Allied Group, SHK is a connected person of Yu Ming under the Listing Rules, and the provision of investment management services to SHK constituted a connected transaction under the Listing Rules.

The management agreement entered into between Yu Ming and SHK is subject to renewal and approval by independent shareholders of SHK every three years. During the Track Record Period, Yu Ming and SHK had entered into the Management Agreement and the New Management Agreement. The New Management Agreement, extending the period of investment management services for another 3 years for the period from 1 January 2019 to 31 December 2021, was approved by independent shareholders of SHK on 12 September 2018.

Principal terms of the Management Agreement and the New Management Agreement are as follows:

- Services: Yu Ming shall provide non-exclusive investment management services and administrative services to SHK, including:
- (a) identify, review and evaluate investment and realization opportunities for SHK;
 - (b) make investment or realization recommendation to the SHK Exco;
 - (c) execute investment and realization decisions and instructions relating to SHK's investment as approved by the SHK Exco; and
 - (d) based on such information as may be reasonably available to it, monitor the performance and supervise the maintenance of the assets of SHK.

PAST CONNECTED TRANSACTIONS

Remuneration:

Management Fee:

quarterly in arrears, 0.375% of the consolidated net asset value attributable to the owners of SHK for such quarter without deduction of the management fee attributable to the relevant quarter (“**Gross NAV**”), calculated as the arithmetical average of the published Gross NAV.

Performance Fee:

annually in arrears, being 20% of the amount by which the audited NAV of SHK of the relevant year (disregarding the effect of new issue of securities, declaration, distribution or payment of dividends or return of capital to shareholders) exceeds the High Watermark.

Set out below is the revenue of Yu Ming derived from the provision of asset management services to SHK for the three years ended 31 December 2016, 2017 and 2018:

<i>(HK\$'million)</i>	Year ended 31 December		
	2016	2017	2018
Management fee	17.4	19.3	17.8
Performance fee	—	1.9	—
Total	<u>17.4</u>	<u>21.2</u>	<u>17.8</u>

Yu Ming shall also provide certain day-to-day administrative services to SHK including keeping books of accounts and records relating to the business of SHK, preparing half-yearly reports and accounts, preparing draft interim and annual financial statements, filing of statutory returns or registrations under the Companies Ordinance, business registration and taxation legislation.

SHK shall reimburse 40% of the renovation expenses, furniture and fixtures, rents, management fee, utilities, and rates in relation to the premises and office overhead expenses, such as postage, telecommunication, photocopying, insurance, courier and cleaning for the day-to-day administrative service incurred by Yu Ming. Such disbursement reimbursement from SHK amounted to approximately HK\$1.4 million, HK\$0.9 million and HK\$1.0 million for the three years ended 31 December 2016, 2017 and 2018.

Upon the Acquisition Completion and Resumption, Allied Group will not hold any equity interest in Yu Ming and the Company. As such, SHK will become an independent third party to the Company and the provision of asset management services by Yu Ming to SHK will not constitute a connected transaction to the Company.

PAST CONNECTED TRANSACTIONS

However, as investment manager of SHK, Yu Ming will continue to be regarded as a connected person of SHK pursuant to Rule 14A.08 of the Listing Rules, and the renewal of investment management services agreement will continue to be subject to approval by the independent shareholders of SHK at general meeting of SHK.

Lease of Office Premises

During the Track Record Period, the principal place of business of Yu Ming is situated at Room 1801, part of Room 1802 and part of 24/F of Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong (the “**Office Premises**”). The Office Premises are owned by Art View Properties Limited (“**Art View**”).

During the Track Record Period and up to the Latest Practicable Date, Yu Ming has entered into the following tenancy agreements in relation to the Office Premises:

Address and usage	Landlord	Term	Monthly rental	Management fee and air-conditioning charges payable to landlord
Room 1801, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Art View	Agreement dated 17 March 2015 with term from 1 April 2015 to 31 March 2017	HK\$58,528	HK\$11,894.40 per month and HK\$220 per hour for additional air conditioning supply outside normal business hour
Office use		Agreement dated 9 March 2017 with term from 1 April 2017 to 31 March 2019, as extended to 30 June 2019 by an extension letter dated 2 April 2019	HK\$67,968	HK\$12,649.60 per month and HK\$220 per hour for additional air conditioning supply outside normal business hour

PAST CONNECTED TRANSACTIONS

Address and usage	Landlord	Term	Monthly rental	Management fee and air-conditioning charges payable to landlord
Part of Room 1802 and part of 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Art View as the head landlord leases the whole floor of 24th Floor and Room 1802 to Allied Group. Allied Group sub-lets portion of Room 1802 and 24th Floor to Yu Ming with Art View's consent	Agreement dated 8 April 2015 with term from 1 April 2015 to 31 March 2017	HK\$16,800	HK\$3,400 per month for 1 April to 30 April 2015 HK\$3,700 per month for 1 May 2015 to 31 March 2017
Office use		Agreement dated 31 March 2017 with term from 1 April 2017 to 31 March 2019	HK\$19,500	HK\$3,700 per month
Part of 24/F, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong		Extension Letter dated 1 April 2019 with term from 1 April 2019 to 30 June 2019	HK\$13,700	HK\$2,600
Office Use				
Extension area to Room 1801 (previously known as Part of Room 1802), Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong	Art View	License agreement dated 1 April 2019 with term from 1 April 2019 to 30 June 2019	HK\$5,800	HK\$1,100
Office use				

Since Art View is a joint venture company of Allied Properties (H.K.) Limited, which in turn is a subsidiary of Allied Group, the leasing of the Office Premises constituted a connected transaction of Yu Ming under the Listing Rules.

During the three years ended 31 December 2018, the aggregate amount of rental fee and management fee and air conditioning charges paid by Yu Ming to Art View and Allied Group for the lease of the Office Premises was approximately HK\$1,113,000, HK\$1,227,000

PAST CONNECTED TRANSACTIONS

and HK\$1,261,000, respectively, and the amount reimbursed by SHK to Yu Ming was approximately HK\$445,000, HK\$491,000 and HK\$504,000 respectively. Yu Ming intends to continue to lease the Office Premises following Acquisition Completion.

Upon Acquisition Completion Yu Ming will cease to be a connected person of Allied Group and Art View, hence the leasing of the Office Premises will cease to constitute a connected transaction of the Enlarged Group under the Listing Rules.

The rental for the Office Premises was arrived at after arm's length negotiation between Yu Ming and Art View and Allied Group.

Corporate Finance Advisory Transactions

During the Track Record Period, Yu Ming entered into the following corporate finance advisory transactions, which constituted connected transactions under the Listing Rules.

Autobest Holdings Limited

On 13 September 2016, Yu Ming entered into an engagement letter with Autobest Holdings Limited (“**Autobest**”) for the provision of financial advisory service to Autobest on a transaction which involved mandatory unconditional cash offer pursuant to the Takeovers Code to acquire all issued shares of Dan Form Holdings Company Limited (now known as Asiasec Properties Limited), a company listed on the Main Board (stock code: 271) (the “**Autobest Transaction**”).

At the material time, Autobest was a wholly owned subsidiary of Tian An China Investments Company Limited, a company listed on the Main Board (stock code: 28), which was held as to approximately 48.66% by Allied Properties (H.K.) Limited which was in turn held as to approximately 74.99% by Allied Group. The provision of financial advisory service to Autobest therefore constituted a connected transaction under the Listing Rules.

The financial advisory service for the Autobest Transaction was completed in December 2016, revenue of Yu Ming derived from the provision of financial advisory service to Autobest for the year ended 31 December 2016 was HK\$2.0 million. The financial advisory fee was arrived at after arm's length negotiation between Yu Ming and Autobest.

Sun Hung Kai Investment Services Limited

On 16 December 2016, Yu Ming entered into an engagement letter with Sun Hung Kai Investment Services Limited (“**SHK Investment**”) for the provision of financial advisory service to SHK Investment on Takeovers Code related matter.

At the material time, SHK Investment was wholly owned by Sun Hung Kai Financial Group Limited, a company which was 30% owned by Sun Hung Kai & Co. Limited, a 57.29% owned subsidiary of Allied Properties (H.K.) Limited which in turn was a 74.99% owned subsidiary of Allied Group. The provision of financial advisory service therefore constituted a connected transaction under the Listing Rules.

PAST CONNECTED TRANSACTIONS

The financial advisory service has been completed and revenue derived from the provision of such financial advisory service in the sum of HK\$750,000 has been recognised in the year ended 31 December 2017. The financial advisory fee was arrived at after arm's length negotiation between Yu Ming and SHK Investment.

Manfield Chemical Holdings Limited

On 7 November 2018, Yu Ming entered into an engagement letter with Manfield Chemical Holdings Limited ("**Manfield**", a company listed on the Main Board (stock code: 1561)) for the provision of financial advisory service to Manfield on a transaction which involved mandatory unconditional cash offer pursuant to the Takeovers Code to acquire all issued shares of Manfield by Timenew Limited ("**Timenew**") as a result of Timenew's acquisition of 75% shareholding in Manfield from Guang Ming Holdings Limited ("**Guang Ming**") (the "**Timenew Acquisition**").

At the material time before completion of the Timenew Acquisition, Guang Ming was the controlling shareholder of Manfield. Guang Ming was held as to 51% by Mr. Lee Seng Hui, an executive director and controlling shareholder of Allied Group, beneficially. The provision of financial advisory service to Manfield therefore constituted a connected transaction under the Listing Rules.

The financial advisory service has been completed and revenue derived from the provision of such financial advisory service in the sum of HK\$3,000,000 has been recognized in the year ended 31 December 2018. The financial advisory fee was arrived at after arm's length negotiation between Yu Ming and Manfield.

Interest income from financial assets at fair value through other comprehensive income

During the Track Record Period, Yu Ming has subscribed and held bonds as financial assets at fair value through other comprehensive income. Interest income from financial assets at fair value through other comprehensive income was approximately HK\$5.9 million, HK\$5.6 million and HK\$1.2 million for the years ended 31 December 2016, 2017 and 2018 respectively.

Among the aforesaid interest income of Yu Ming for the years ended 31 December 2016, 2017 and 2018, approximately HK\$391,000, HK\$390,000 and HK\$392,000 were attributed from bonds issued by Sun Hung Kai & Co. (BVI) Limited and HK\$509,000, HK\$501,000 and HK\$179,000 were attributed from bonds issued by UA Finance (BVI) Limited respectively. The net carrying value of the bonds issued by Sun Hung Kai & Co. (BVI) Limited and/or UA Finance (BVI) Limited as at 31 December 2016, 2017 and 2018 was in aggregate HK\$16,009,000, HK\$16,783,000 and HK\$8,062,000 respectively.

PAST CONNECTED TRANSACTIONS

Below are the details of the bonds issued by Sun Hung Kai & Co. (BVI) Limited and UA Finance (BVI) Limited and held by Yu Ming during the Track Record Period:

Issuer	Sun Hung Kai & Co. (BVI) Limited
Guarantor	Sun Hung Kai & Co. (stock code 86)
Issue date	31 May 2016
Principal	USD1,053,000
Coupon rate (per annum)	4.75%
Maturity date	31 May 2021

Issuer	Sun Hung Kai & Co. (BVI) Limited
Guarantor	Sun Hung Kai & Co. (stock code 86)
Issue date	26 September 2012
Principal	USD1,000,000
Coupon rate (per annum)	6.375%
Maturity date	26 September 2017

Issuer	UA Finance (BVI) Limited
Guarantor	United Asia Finance Limited
Issue date	2 May 2013
Principal	RMB 7,000,000
Coupon rate (per annum)	6.90%
Maturity date	2 May 2018

Sun Hung Kai & Co. (BVI) Limited is a wholly-owned subsidiary of Sun Hung Kai & Co. Limited, a company listed on the Stock Exchange (stock code: 86). UA Finance (BVI) Limited is a wholly-owned subsidiary of United Asia Finance Limited, which is in turn a subsidiary of Sun Hung Kai & Co. Limited. As Sun Hung Kai & Co. Limited is a subsidiary of Allied Properties (H.K.) Limited, which in turn is a subsidiary of Allied Group as at the Latest Practicable Date, the subscription of the bonds issued by Sun Hung Kai & Co. (BVI) Limited and UA Finance (BVI) Limited and the receipt of interest income constituted connected transactions under the Listing Rules.

Yu Ming considers that the terms of the aforesaid bonds are fair and reasonable, and are comparable to market rates and in line with market practice.

Confirmation from the Proposed Directors

The Proposed Directors consider that the abovementioned connected transactions have been entered into in the ordinary and usual course of business of Yu Ming, on normal commercial terms, and that the terms are fair and reasonable. The connected nature of the continuing connected transactions mentioned above will cease upon Acquisition Completion.

PAST CONNECTED TRANSACTIONS

Confirmation from the Sponsor

The Sponsor is of the view that (i) the abovementioned connected transactions were entered into in the ordinary and usual course of business of Yu Ming, and are on normal commercial terms or better from the perspective of Yu Ming; (ii) the terms of the abovementioned connected transactions are fair and reasonable; and (iii) the continuing connected transactions mentioned above will cease upon Acquisition Completion.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

DIRECTORS

The following sets out the biographical details of the Proposed Directors and, upon Resumption, senior management of the Enlarged Group.

Proposed Directors

The following table sets forth information regarding the Proposed Directors, their proposed roles and responsibility.

Name	Age	Position/Title	Proposed Roles and Responsibilities	Effective date of appointment as Director subject to passing of the relevant resolutions at the EGM
Mr. Li Chi Kong (李志剛)	65	Chairman and Non-Executive Director	overseeing overall corporate strategy and development of the Enlarged Group and chairman of nomination committee	Immediately following Acquisition Completion
Mr. Lee Wa Lun, Warren (李華倫)	55	Managing Director and Executive Director	corporate strategy, business development and overall management of operation of Enlarged Group	Immediately following Acquisition Completion
Mr. Lam Chi Shing (林志成)	39	Executive Director	(i) formulating investments ideas, identifying different investment opportunities and execution of investment decisions; and (ii) provision of corporate finance services	Immediately following Acquisition Completion
Ms. Li Ming (李銘)	41	Executive Director	(i) supervising and leading execution of corporate finance projects; and (ii) provision of asset management services	Immediately following Acquisition Completion

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Name	Age	Position/Title	Proposed Roles and Responsibilities	Effective date of appointment as Director subject to passing of the relevant resolutions at the EGM
Mr. Chan Sze Chung (陳思聰)	49	Independent Non-Executive Director	chairman of audit committee	Upon Resumption
Mr. Suen Chi Wai (孫志偉)	54	Independent Non-Executive Director	–	Upon Resumption
Mr. Sum Wai Kei, Wilfred (岑偉基)	54	Independent Non-Executive Director	chairman of remuneration committee	Upon Resumption

Executive Directors

Mr. Lee Wa Lun, Warren, aged 55, was one of the founding directors of Yu Ming in August 1996 and has worked in Yu Ming ever since. Mr. Warren Lee is responsible for overseeing business development of Yu Ming, maintaining client relationship, monitoring industry developments and supervising corporate finance advisory and asset management teams on the provision of services to clients.

Mr. Warren Lee is currently the chairman of the board of directors of SHK, a company listed on the Main Board (stock code: 666). He was appointed as SHK's director in September 2004.

From December 2008 to November 2013, Mr. Warren Lee was a director of First Natural Foods Holdings Limited (now known as Imperial Pacific International Holdings Limited), a company listed on the Main Board (stock code: 1076). From June 2010 to June 2013, Mr. Warren Lee was an executive director of Viva China Holdings Limited, a company listed on GEM (stock code: 8032).

From December 2006 to May 2007, Mr. Warren Lee was the chief executive officer of Nam Tai Electronics, Inc. (now known as Nam Tai Property Inc.), an electronics manufacturing services provider listed on the New York Stock Exchange. Between March 2004 and February 2006, he was an independent non-executive director of Nam Tai Electronic & Electrical Products Limited (“NTEEP”), a company formerly listed on the Main Board (former stock code: 2633) which was privatised on 13 November 2009. Between February 2006 and April 2007, he was re-designated as a non-executive director of NTEEP. Between January 2007 and April 2007, he was also a non-executive director of J.I.C. Technology Company Limited (now known as China Renewable Energy Investment Limited), a company listed on the Main Board (stock code: 987).

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Mr. Warren Lee graduated with a Bachelor of Science degree from The University of East Anglia in England in 1986 and obtained a Master of Science degree from The City University, London in 1988.

Mr. Warren Lee is currently licensed by the SFC to act as a Responsible Officer to carry on Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO.

Save as disclosed above, Mr. Warren Lee did not hold any other directorship in listed public companies whether in Hong Kong or overseas during the past three years, nor has any other relationship with any Director or Proposed Director, senior management of the Company or Yu Ming or substantial or controlling Shareholder.

Mr. Lam Chi Shing (“Mr. Lam”), aged 39, is a functional director and the portfolio manager of Yu Ming. He joined Yu Ming in 2005 and is a Responsible Officer for Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. Mr. Lam mainly supervises the asset management business of Yu Ming. He is responsible for formulating investments ideas, identifying different investment opportunities both in listed and unlisted securities and execution of investment decisions. He is also involved in the provision of corporate finance services by Yu Ming.

Mr. Lam has over 13 years of experience in asset management and corporate finance gained in Yu Ming. Prior to joining Yu Ming, Mr. Lam worked in corporate lending and syndication department of the Bank of East Asia, Limited.

Mr. Lam graduated from The Chinese University of Hong Kong in 2002 with a Bachelor of Business Administration degree, and is accredited with Chartered Financial Analyst since September 2009.

Save as disclosed above, Mr. Lam did not hold any other directorship in listed public companies whether in Hong Kong or overseas during the past three years, nor has any other relationship with any Director or Proposed Director, senior management of the Company or Yu Ming or substantial or controlling Shareholder.

Ms. Li Ming (“Ms. Li”), aged 41, joined Yu Ming in October 2007 and was appointed as an associate director and a corporate finance director of Yu Ming since January 2010 and January 2014, respectively. She is a Responsible Officer in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as well as a Licensed Representative in Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO and is responsible for supervising and leading execution of corporate finance projects of Yu Ming. She is also involved in the provision of asset management services by Yu Ming.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Ms. Li has over 17 years of experience in corporate finance. Prior to joining Yu Ming, she worked with Asian Capital (Corporate Finance) Limited (whose business was listed under ZZ Capital International Limited (formerly known as Asian Capital Holdings Limited) on the GEM board of the Stock Exchange in 2010 with stock code: 8295) from April 2001 to October 2007.

Ms. Li obtained Bachelor of Arts degree in Business Administration awarded by the University of Hertfordshire of the United Kingdom in 2000 (under a programme offered in conjunction with Beijing Inti Management College and INTI International University & Colleges) and Master of Finance (Investment Management) degree from The Hong Kong Polytechnic University in 2010.

Save as disclosed above, Ms. Li did not hold any other directorship in listed public companies whether in Hong Kong or overseas during the past three years, nor any other relationship with any Director or Proposed Director, senior management of the Company or Yu Ming or substantial or controlling Shareholder.

Non-Executive Director

Mr. Li Chi Kong, aged 65, joined Yu Ming in 2008 as a director. He is responsible for overseeing the corporate strategy and development of Yu Ming. Mr. Li has extensive experience in finance and accounting, was an executive director of Allied Properties (H.K.) Limited, a company listed on the Main Board (stock code: 56) from October 1999 until redesignation as a non-executive director in July 2018. He is also general consultant of Allied Group Limited, a company listed on the Main Board (stock code: 373), since July 2018, when he retired from the position of the group financial controller.

From December 2011 to March 2014, Mr. Li was an executive director of Tongfang Kontafarma Holdings Limited (formerly known as Allied Cement Holdings Limited), a company listed on the Main Board (stock code: 1312). Prior to joining Allied Group in 1996 as the group financial controller, Mr. Li worked for Peat, Marwick, Mitchell & Company (now known as KPMG) and Price Waterhouse & Company (now known as PricewaterhouseCoopers) and acted as the group financial controller of Hopewell Holdings Limited (stock code: 54), Century City International Holdings Limited (“Century City”, stock code: 355) and Paliburg International Holdings Limited (the listing of which was replaced by Paliburg Holdings Limited, stock code: 617), as well as two other listed companies which were disposed of by Century City, known at the time as Richfield International Holdings Limited and Cathay City International Holdings Limited.

Mr. Li graduated from the University of Edinburgh in Scotland, United Kingdom in 1975 with a Bachelor of Science degree and obtained a Postgraduate Diploma in Accounting from Heriot-Watt University in Edinburgh in 1976. He is a member of the Institute of Chartered Accountants of Scotland and a fellow of the Hong Kong Institute of Certified Public Accountants.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Save as disclosed above, Mr. Li did not hold any other directorship in listed public companies whether in Hong Kong or overseas during the past three years, nor any other relationship with any Director, Proposed Director, senior management of the Company or Yu Ming or substantial or controlling Shareholder.

Independent Non-executive Directors

Mr. Chan Sze Chung (“Mr. Chan”), aged 49, has over 20 years of experience in finance and accounting. Mr. Chan is currently an independent non-executive director of Tongfang Kontafarma Holdings Limited (stock code: 1312).

From December 2009 to August 2010, Mr. Chan was the chief financial officer of Coolpoint Energy Limited (now known as Viva China Holdings Limited), a company listed on GEM of the Stock Exchange (stock code: 8032).

Mr. Chan became financial controller of Nam Tai Group Management Limited in April 2001, and was promoted in September 2008 as chief financial officer of Nam Tai Electronic & Electrical Products Limited, a company formerly listed on the Main Board (former stock code: 2633) which was privatised on 13 November 2009, and also as acting chief financial officer of Nam Tai Electronics, Inc. (now known as Nam Tai Property, Inc.), a company listed on the New York Stock Exchange (NYSE: NTP).

Before joining Nam Tai Group Management Limited, Mr. Chan was employed as the financial controller of J.I.C. Enterprises (Hong Kong) Limited, a company engaged in manufacturing and trading of liquid crystal display panels, and was employed by Deloitte Touche Tohmatsu during the period from January 1993 to August 1997 and served as a senior accountant at the time of his resignation.

Mr. Chan graduated from the University of Wales with a Bachelor of Arts degree in Accounting and Finance in 1991 and obtained a Master of Arts degree in Accounting and Finance at the University of Lancaster in December 1992. Mr. Chan is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants, and that he is also recognized as a chartered financial analyst by the CFA Institute of the United States of America.

Save as disclosed above, Mr. Chan did not hold any other directorship in listed public companies whether in Hong Kong or overseas during the past three years. Mr. Chan does not have any relationship with any Director, Proposed Director, senior management of the Company or Yu Ming or substantial or controlling Shareholder.

Mr. Suen Chi Wai (“Mr. Suen”), aged 54, is a practising solicitor in Hong Kong and a partner of Withers. Mr. Suen has over seventeen years’ experience in corporate finance and with area of practice principally in initial public offerings on the Stock Exchange, mergers and acquisitions, corporate reorganisations and Listing Rules compliance. Mr. Suen was appointed as an independent non-executive director of Xin Yuan Enterprises Group Limited (stock code: 1748) on 6 September 2018.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Before joining Withers, Mr. Suen was a partner of DLA Piper Hong Kong and before that, served as a manager in the investment products department of the SFC between 2005 and 2006 responsible for reviewing applications of collective investment schemes and monitoring continuing compliance of authorized schemes. Mr. Suen was an associate at Woo Kwan Lee & Lo from 2000 to 2005.

Mr. Suen graduated from the University of East Anglia in 1987 with a Bachelor of Science degree. Mr. Suen was admitted as a solicitor in Hong Kong in 2000 and in England and Wales in 2003. Mr. Suen is also a fellow member of the Association of Chartered Certified Accountants and a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Save as disclosed above, Mr. Suen did not hold any directorship in any other listed companies whether in Hong Kong or overseas during the past three years. Mr. Suen does not have any relationship with any Director, Proposed Director, senior management of the Company or Yu Ming or substantial or controlling Shareholder.

Mr. Sum Wai Kei, Wilfred (“Mr. Sum”), aged 54, is the Head of Corporate Finance, Equity Capital Markets and Debt Capital Markets Department of BOCOM International Holdings Company Limited (“BOCOM”). He had been with BOCOM from September 2008 to September 2016 and re-joined in March 2017. Between 2002 and 2008, Mr. Sum had been with Taiwan Securities (Hong Kong) Company Limited and was its director when he left, and was a director of TSC Capital Limited (now known as KGI Capital (Hong Kong) Limited) since August 2005 until April 2008. After leaving BOCOM in September 2016 and before re-joining in March 2017, he worked in CEB International and Celestial Capital Limited.

Mr. Sum was admitted as Certified Practising Accountant of the Australian Society of Certified Practising Accountants in 1997 until 2008. Mr. Sum obtained a Bachelor of Science degree from The University of East Anglia in England in 1986 and a Master of Commerce degree from The University of New South Wales in Australia in 1992.

Save as disclosed above, Mr. Sum did not hold any other directorship in listed public companies whether in Hong Kong or overseas during the past three years. Mr. Sum does not have any relationship with any Director, Proposed Director, senior management of the Company or Yu Ming or substantial or controlling Shareholder.

Save as disclosed above, each of the Directors confirms that (i) no additional information is required to be disclosed pursuant to the requirements under Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; (ii) he/she is not interested in any business apart from the business of the Enlarged Group, which competes or is likely to compete, either directly or indirectly, with the business of the Enlarged Group; (iii) there is no other matters that need to be brought to the attention of holders of securities of the Company; and (iv) all the requirements under Rule 13.51(2) of the Listing Rules have been fulfilled.

It is intended that the Company will enter into service contracts with the Proposed executive Directors and letters of appointment with the Proposed independent non-executive Directors upon their respective appointment date.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

BOARD COMMITTEES

The Proposed Directors will form three Board committees for the Enlarged Group immediately after Resumption. The table below sets out the membership information of these committees:

Board Committee Member	Audit Committee	Remuneration Committee	Nomination Committee
<i>Non-executive Director</i>			
Mr. Li Chi Kong	–	M	C
<i>Independent Non-executive Directors</i>			
Mr. Chan Sze Chung	C	M	M
Mr. Suen Chi Wai	M	M	M
Mr. Sum Wai Kei, Wilfred	M	C	M

Notes:

C – Chairman of the relevant Board committee

M – Member of the relevant Board committee

Audit Committee

An audit committee of the Board will be set up upon Resumption with written terms of reference in compliance with Rule 3.21 and the “Corporate Governance Code and Corporate Governance Report” (the “CG Code”) as set out in the Appendix 14 to the Listing Rules. The primary duties of the audit committee are mainly to make recommendations to the Board on the appointment, reappointment and removal of external auditor, review financial statements and oversee financial reporting system and internal control procedures of the Company. The audit committee will consist of Mr. Chan, Mr. Suen and Mr. Sum. Mr. Chan will be the chairman of the audit committee.

Remuneration Committee

A remuneration committee of the Board will be set up upon Resumption with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the remuneration committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Enlarged Group, review and approve remuneration proposals with reference to the Board’s corporate goals and objectives, and ensure none of the Directors or any of their associates determines their own remuneration. The remuneration committee will consist of Mr. Chan, Mr. Li, Mr. Suen and Mr. Sum. Mr. Sum will be the chairman of the remuneration committee.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Nomination Committee

A nomination committee of the Board will be set up upon Resumption with written terms of reference in compliance with the CG Code. The primary duties of the nomination committee are to review the structure, size and composition of the Board, identify qualified individuals to become members of the Board, assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors. The nomination committee will consist of Mr. Chan, Mr. Li, Mr. Suen and Mr. Sum and Mr. Li will be the chairman of the nomination committee.

COMPANY SECRETARY

Mr. Lee Hon Sang will be appointed as the company secretary of the Company with effect from Resumption. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since June 1994 and a fellow of the Association of Chartered Certified Accountants since January 1996.

AUTHORISED REPRESENTATIVES

Mr. Warren Lee and Mr. Li will be appointed as the authorised representatives of the Company for the purpose of the Listing Rules upon Resumption.

CORPORATE GOVERNANCE

The Company will upon Resumption adopt a system of corporate governance. The Company will observe the Code on Corporate Governance and proposes to appoint three independent non-executive Directors constituting not less than one-third of the members of the proposed Board upon Resumption.

SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of Yu Ming who will remain following the Acquisition Completion. The senior management will be responsible for the day-to-day management of the business of the Enlarged Group.

Name	Age	Position/Title	Year of joining Yu Ming
Mr. Lam Chi Shing	39	Functional director	2005
Ms. Li Ming	41	Functional director	2007
Mr. Lee Hon Sang	56	Financial Controller	2008

Mr. Lam Chi Shing, aged 39, is a senior management of Yu Ming and a Proposed Director. For further details about his biography, please refer to the sub-section headed "Executive Directors" in this section.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Ms. Li Ming, aged 41, is a senior management of Yu Ming and a Proposed Director. For further details about her biography, please refer to the sub-section headed “Executive Directors” in this section.

Mr. Lee Hon Sang (“Mr. Lee”), aged 56, joined Yu Ming as financial controller in March 2008. He is responsible for the finance and accounting division of Yu Ming. Mr. Lee has over 26 years experience in auditing, accounting and financial management. He was educated at the Hong Kong Baptist College and obtained an Honors Diploma in Accounting in 1986. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants since June 1994 and a fellow of the Association of Chartered Certified Accountants since January 1996.

Before joining Yu Ming, Mr. Lee was the financial controller of Shanghai Allied Cement Limited (now known as Alibaba Pictures Group Limited), a company listed on the Stock Exchange (stock code: 1060) from September 2005 to September 2007. Mr. Lee worked in the technical department of Deloitte Touche Tohmatsu as senior accountant in April 1994 and later promoted to manager in January 1995 until February 1996. He joined Allied Group Limited (stock code: 373), a company listed on the Stock Exchange, in February 1996 as assistant financial controller and was transferred to its subsidiary, AG Capital Limited as senior finance manager in June 2001.

EMPLOYEES

Please refer to the section headed “Business of Yu Ming – Employees” in this prospectus in relation to the breakdown of the number of employees by business function.

Training

All Responsible Officers and Licensed Representatives are required to undertake a sufficient number of hours of continuous professional training in order to maintain their SFC licences to carry on regulated activities.

Staff Benefits

Staffs are entitled to discretionary bonus which is determined by directors of Yu Ming with reference to the employee’s overall performance and the performance of Yu Ming.

After the Resumption, employees of the Enlarged Group will be entitled to participate in the Share Option Scheme, details of which are set out in the section headed “Summary of the Terms of the Share Option Scheme” in Appendix V to this prospectus. It is believed that these share options offer long term incentives to key employees whom the Enlarged Group believes are essential to its operations and future development, and serve as a retention mechanism for its employees.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

Relationship with Employees

During the Track Record Period, Yu Ming has not encountered any problems with its employees or experienced any disruption to its business or operations due to dispute with its employees.

REMUNERATION OF DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

During the Track Record Period, directors and senior management of Yu Ming received compensation in the form of salaries, allowances, contribution to mandatory provident fund scheme and discretionary bonuses with reference to their individual job duties, qualification, performance, experience, time commitment and Yu Ming's performance. Yu Ming also reimburses its staff for expenses which are necessarily and reasonably incurred in their course of performance of their functions in relation to the business and operations of Yu Ming. It is expected that upon Resumption the Enlarged Group will maintain the existing remuneration policy and provide competitive remuneration package to its directors, senior management and other staff.

During the Track Record Period, the total compensation (including salaries, allowances, discretionary bonus, contributions to mandatory provident fund scheme) paid to the directors of Yu Ming for the three years ended 31 December 2016, 2017 and 2018 was approximately HK\$10.5 million, HK\$13.2 million and HK\$4.3 million respectively.

The aggregate remuneration (including salaries, discretionary bonus, contributions to mandatory provident fund scheme) paid to the five highest paid individuals (excluding one director) of Yu Ming for the three years ended 31 December 2016, 2017 and 2018 was approximately HK\$8.3 million, HK\$9.7 million and HK\$7.8 million respectively.

The staff costs of Yu Ming (including salaries, allowances and benefits, discretionary bonuses and contributions to retirement benefit schemes) for the three years ended 31 December 2016, 2017 and 2018 was approximately HK\$23.1 million, HK\$27.9 million and HK\$15.8 million respectively.

Yu Ming participated in the mandatory provident fund scheme prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of their employees, and have made the relevant contributions in accordance with the aforesaid laws and regulations.

For additional information on Yu Ming's directors' remuneration during the Track Record Period, please refer to "Appendix I – Accountants' Report on Yu Ming" to this prospectus.

PROPOSED DIRECTORS AND SENIOR MANAGEMENT OF THE ENLARGED GROUP

COMPLIANCE ADVISER

The Company will on Resumption appoint Emperor Capital Limited as the compliance adviser under Rule 3A.19 of the Listing Rules. Under Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where the business activities, developments or results of the Enlarged Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of the Company of unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The terms of appointment of the compliance adviser shall commence on the Resumption Date and end on the date on which the Company sends its financial results as required under Rule 13.46 of the Listing Rules for the first full financial year commencing upon Resumption. Emperor Capital Limited may terminate such appointment at any time by giving not less than one month's notice to the Company.

SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Liquidators, the following persons had an interest or short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Perfect Gate Holdings Limited (Note)	Beneficial owner	230,000,000	23.0%

Note: Based on information as available to the Liquidators and the latest disclosure of interests filed by Perfect Gate Holdings Limited (“Perfect Gate”), as at 7 December 2017, Perfect Gate is a company incorporated in the BVI, which is wholly-owned by Gokeen Invest Limited, a company incorporated in the BVI and Gokeen Invest Limited is owned as to 25% by Xiong Ling, 25% by Chen Rong, 25% by Ng Wai Huen and 25% by Lee On Wai. On 30 August 2017, the Liquidators received a summons from Perfect Gate applying for an order to validate the proposed sale and purchase of the 230,000,000 Shares held by it to (i) Wisdom Link Group Limited as to 46,000,000 Shares; (ii) Treasure Forum Limited as to 46,000,000 Shares; (iii) Perfect Origin Investments Limited as to 46,000,000 Shares; (iv) Classic Sky Global Limited as to 46,000,000 Shares; and (v) True Masters Limited as to 46,000,000 Shares. Pursuant to information provided by Perfect Gate, each of Wisdom Link Group Limited, Treasure Forum Limited, Perfect Origin Investments Limited, Classic Sky Global Limited and True Masters Limited is a company incorporated in the BVI and is wholly-owned by Yu Sau Lai. Such proposed sale and purchase of New 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 as the registered Shareholders. As at the Latest Practicable Date, the Liquidators had not received any notice on the completion of the said proposed sale and purchase nor aware of any circumstances that may affect the accuracy of the above statements.

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

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Liquidators, immediately following completion of the YM Subscription, the New Placing and the Public Offer (without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons will have an interest or short position in the shares or underlying shares of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Enlarged Group:

Long position in the New Shares

Name	Capacity/Nature of interest	Number of New Shares held	Approximate percentage of issued share capital
Mr. Warren Lee (<i>Note</i>)	Beneficial owner	227,250,000	19.9%

Note: Mr. Warren Lee is a Proposed Director and one of the subscribers under the YM Subscription Agreement, pursuant to which he has conditionally agreed to subscribe for 227,250,000 New Shares.

Save as disclosed above, the Liquidators are not aware of any other person who will, immediately following completion of the YM Subscription, the New Placing and the Public Offer (without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the shares or underlying shares of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Enlarged Group.

The Liquidators are not aware of any arrangement which may at a subsequent date result in a change of control of the Company.

FINANCIAL INFORMATION OF YU MING

You should read the following discussion in conjunction with the financial information of Yu Ming included in the accountants' report and the notes thereto included in Appendix I to this prospectus and the selected historical financial information and operating data included elsewhere in this prospectus. The financial information have been prepared in accordance with HKFRSs. The historical results of Yu Ming do not necessarily indicate results for any future periods. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. The actual results of Yu Ming may differ from those anticipated in these forward-looking statements as a result of a number of factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in this prospectus.

The financial information of Yu Ming as of and for the three years ended 31 December 2016, 2017 and 2018 included in this prospectus is audited and there is no modified opinion in the accountants' report on Yu Ming.

OVERVIEW

Yu Ming is principally engaged in the provision of (i) corporate finance advisory services; and (ii) asset management services.

During the Track Record Period, the corporate finance advisory services provided by Yu Ming mainly included:

- (i) acting as financial adviser to advise listed issuers, shareholders and investors of listed issuers and entities on specific transactions in respect of the Listing Rules, the GEM Listing Rules and/or the Takeovers Code;
- (ii) acting as independent financial adviser to listed issuers to provide independent advice required under the Listing Rules, the Takeovers Code or other specific circumstances; and
- (iii) acting as financial adviser to listed issuers on retainer basis to advise listed issuers on corporate strategies and compliance with the Listing Rules, the GEM Listing Rules and Takeovers Code.

During the Track Record Period, Yu Ming provided asset management services solely to SHK.

The revenue of Yu Ming for the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK\$60.0 million, HK\$73.5 million and HK\$59.6 million, respectively. The net profit of Yu Ming for the years ended 31 December 2016, 2017 and 2018 amounted to approximately HK\$35.1 million, HK\$41.7 million and HK\$36.1 million respectively.

FINANCIAL INFORMATION OF YU MING

BASIS OF PREPARATION

The financial information of Yu Ming has been prepared based on accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of preparation as set out in note 2 of the Accountants' Report on Yu Ming contained in Appendix I to this prospectus, and no adjustments have been made in preparing the financial information.

Yu Ming has performed an internal assessment of the early adoption of HKFRS 15 and HKFRS 9 compared with HKAS 18 and HKAS 39. The major impacts to Yu Ming are set out as followings:

HKFRS 15

Revenue is recognised when or as the control of the asset is transferred to the purchaser. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may transfer over time or at a point in time. If control of the asset transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Yu Ming provides corporate finance advisory services and asset management services.

Advisory fee income from providing specified financial advisory and acting as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time Yu Ming has a present right to recognize payment as revenue from the customers for the service performed.

Advisory fee income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefits provided by Yu Ming's performance as it performs and the revenue can be measured reliably.

Commission based and other services are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time Yu Ming has a present right to recognize payment as revenue from the customers for the service performed.

Management fee income from provision of investment management services is recognised over time based on contractual terms specified in the underlying investment management agreement, as the customer simultaneously receives and consumes the benefits provided by Yu Ming's performance as it performs and the revenue can be measured reliably.

Performance fee income based on the performance of the investment company is a form of variable consideration in its contract with the customer to provide investment management services. Performance fee income is earned based on the performance of the

FINANCIAL INFORMATION OF YU MING

investment company during the period, subject to the achievement of high water mark, in accordance with the respective terms set out in the investment management agreement. Performance fee income will not be recognised as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, or (b) the uncertainty associated with the variable consideration is subsequently resolved.

Under HKFRS 15, Yu Ming recognizes performance obligations that have not yet been satisfied but for which Yu Ming has received consideration as contract liabilities in the statement of financial position.

Yu Ming considers that the impact on the financial position and performance of Yu Ming would not be significant if HKAS 18 instead of HKFRS 15 had been applied.

HKFRS 9

HKFRS 9 replaces HKAS 39 and introduces new requirements for classification and measurement and impairment. Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through other comprehensive income. The classification is based on two criteria: (i) Yu Ming's business model for managing the assets; and (ii) whether the instrument's contractual cash flows represent solely payments of principal and interest on the principal amount outstanding.

Equity instruments would generally be measured at fair value through profit or loss unless Yu Ming elects to measure at fair value through other comprehensive income (without recycling, i.e. any gain/loss will be recorded in other comprehensive income and will not be reclassified to profit or loss, while the dividend is recognized through profit or loss) for equity investments that are not held for trading.

The adoption of HKFRS 9 has changed Yu Ming's accounting treatment for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. HKFRS 9 requires Yu Ming to record an allowance for ECLs for all loans and other debt financial assets not held at fair value through profit or loss.

Yu Ming considers that the impact on the financial position and performance of Yu Ming would not be significant if HKAS 39 instead of HKFRS 9 had been applied.

FACTORS AFFECTING THE RESULTS OF OPERATION OF YU MING

The results of operations of Yu Ming are subject to the influence of numerous factors, including those set out in the section headed "Risk Factors" in this prospectus.

FINANCIAL INFORMATION OF YU MING

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The financial information of Yu Ming has been prepared in accordance with HKFRSs, which requires the making of judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The assumptions and estimates are based on the historical experience and various other factors that the management of Yu Ming believes to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. Therefore, when reviewing the financial information of Yu Ming, you should consider the selection of critical accounting policies, the judgments and other uncertainties affecting the application of such policies, and the sensitivity of reported results to changes in the conditions and assumptions of Yu Ming. The significant accounting policies, critical accounting judgement and estimates of Yu Ming are summarised in notes 4 and 5 to the financial information of Yu Ming included in the Accountants' Report on Yu Ming as set out in Appendix I to this prospectus.

RESULTS OF OPERATION

The following table presents the statement of profit or loss and other comprehensive income of Yu Ming during the Track Record Period, details of which are set out in the Accountants' Report on Yu Ming to Appendix I to this prospectus.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	60,048	73,515	59,577
Other net (loss)/income	(544)	886	521
Other net financial income	8,404	7,534	2,642
Employee benefit expense	(23,148)	(27,909)	(15,759)
Operating lease expense	(959)	(1,068)	(1,102)
Other operating expenses	(2,208)	(3,700)	(3,256)
Loss allowance for expected credit losses on financial assets at fair value through other comprehensive income	<u>(773)</u>	<u>–</u>	<u>–</u>
Profit before income tax	40,820	49,258	42,623
Income tax expense	<u>(5,692)</u>	<u>(7,571)</u>	<u>(6,525)</u>
Profit for the year	<u><u>35,128</u></u>	<u><u>41,687</u></u>	<u><u>36,098</u></u>

Revenue

Yu Ming is principally engaged in the provision of (i) corporate finance advisory services; and (ii) asset management services.

FINANCIAL INFORMATION OF YU MING

Set out below is the breakdown of revenue by business activities of Yu Ming for the years ended 31 December 2016, 2017 and 2018.

	Year ended 31 December					
	2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Corporate finance advisory	41,232	68.7	51,394	69.9	40,754	68.4
– <i>Specific financial advisory</i>	29,050	48.4	32,630	44.4	27,185	45.6
– <i>Independent financial adviser</i>	1,218	2.0	2,208	3.0	1,380	2.3
– <i>Retainer</i>	9,964	16.6	16,556	22.5	12,189	20.5
– <i>Commission based and other services</i>	1,000	1.7	–	0.0	–	0.0
Asset management	17,424	29.0	21,204	28.8	17,824	29.9
– <i>Management fee</i>	17,424	29.0	19,288	26.2	17,824	29.9
– <i>Performance fee</i>	–	0.0	1,916	2.6	–	0.0
Sundry income	1,392	2.3	917	1.3	999	1.7
Total	<u>60,048</u>	<u>100.0</u>	<u>73,515</u>	<u>100.0</u>	<u>59,577</u>	<u>100.0</u>

For the year ended 31 December 2017, revenue of Yu Ming increased by approximately 22.4% to approximately HK\$73.5 million as compared with that of 2016. The increase in revenue for 2017 was mainly driven by an increase in the fee income of corporate finance business from approximately HK\$41.2 million for the year ended 31 December 2016 to approximately HK\$51.4 million for the year ended 31 December 2017. The increase in revenue from corporate finance business in 2017 compared with that of 2016 was mainly due to (i) increase in average recognized revenue per corporate finance advisory transaction as 5 specific financial advisory engagements with contract sum amounting to HK\$3,000,000 or above (“High Value Engagements”) were recognized as revenue in 2017 while only 3 High Value Engagements were recognized as revenue in 2016; and (ii) increase in retainer engagements from 11 in 2016 to 16 in 2017.

For the year ended 31 December 2018, revenue of Yu Ming decreased by approximately 19.0% to approximately HK\$59.6 million as compared with that of 2017. The decrease in revenue for 2018 was mainly caused by the decrease in the fee income of corporate finance business from approximately HK\$51.4 million for the year ended 31 December 2017 to approximately HK\$40.8 million for the year ended 31 December 2018. The decrease in revenue from corporate finance business in 2018 compared with that of 2017 was mainly due to a drop in average recognized revenue per corporate finance advisory transaction as (i) only 4 High Value Engagements were recognized as revenue in 2018 while 5 High Value Engagements were recognized as revenue in 2017; and (ii) 3 retainer engagements were terminated in 2018 due to the commercial reasons of clients and the new retainer engagements entered into have lower monthly fee than the terminated engagements,

FINANCIAL INFORMATION OF YU MING

and one engagement letter was renewed in 2018 at a lower monthly fee, resulting in the lower total fee from retainer engagements despite the total number of retainer engagements remained at 16 as year 2017.

The fee income from the asset management business of Yu Ming was solely derived from the provision of asset management services to SHK by Yu Ming pursuant to the Management Agreement. SHK is a connected person to Yu Ming during the Track Record Period. Details of the connected transaction are set out in the section headed “Past Connected Transactions” in this prospectus.

The following table sets out the breakdown of number of corporate finance transactions revenue derived from which have been recognised during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
Number of engagements			
Specific transaction	28	20	23
Independent financial adviser	3	7	4
Retainer	11	16	16
Commission based and other services	1	–	–

Save for the provision of financial advisory service to Autobest Holdings Limited with a fee of HK\$2,000,000 in 2016, Sun Hung Kai Investment Services Limited with a fee of HK\$750,000 in 2017 and Manfield Chemical Holdings Limited with a fee of HK\$3,000,000 in 2018, Yu Ming did not generate any corporate finance advisory fee income from its connected persons during the Track Record Period. Details of these connected transactions are set out in the section headed “Past Connected Transactions” of this prospectus.

Other net (loss)/income

During the Track Record Period, the other net (loss)/income of Yu Ming was attributable to exchange gain resulting from its investment in debt securities denominated in foreign currencies, namely United States dollars and RMB.

Other net financial income

Other net financial income of Yu Ming mainly comprised interest income from financial assets at fair value through other comprehensive income and bank deposits, realised gain on redemption of financial assets at fair value through other comprehensive income, fair value loss on financial assets at fair value through profit or loss and dividend income.

FINANCIAL INFORMATION OF YU MING

Set out below is the breakdown of the other net financial income of Yu Ming during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from financial assets at fair value through other comprehensive income	5,914	5,556	1,237
Interest income from bank deposits	<u>178</u>	<u>583</u>	<u>1,783</u>
 Total interest income derived from financial assets not at fair value through profit and loss	 6,092	 6,139	 3,020
 Realised gain on redemption of financial assets at fair value through other comprehensive income	 3,577	 1,623	 –
Fair value loss on financial assets at fair value through profit or loss	(2,143)	(273)	(378)
Dividend income	878	–	–
Sundry income	<u>–</u>	<u>45</u>	<u>–</u>
	<u><u>8,404</u></u>	<u><u>7,534</u></u>	<u><u>2,642</u></u>

Interest income from financial assets at fair value through other comprehensive income

Interest income from financial assets at fair value through other comprehensive income of approximately HK\$5.9 million, HK\$5.6 million and HK\$1.2 million for the years ended 31 December 2016, 2017 and 2018 respectively is attributable to the interest income from Yu Ming's investment in debt securities. The decrease in interest income from financial assets at fair value through other comprehensive income for the year ended 31 December 2018 was mainly due to no interest income from a listed debt security in the principal amount of US\$10 million redeemed in December 2017 and decrease in interest income from an unlisted debt security in the principal amount of RMB7 million as it was redeemed in May 2018.

Some of these interest income were generated from the bonds issued by Sun Hung Kai & Co. (BVI) Limited and UA Finance (BVI) Limited, which were connected persons to Yu Ming during Track Record Period. Details of such connected transactions are set out in the section headed "Past Connected Transactions" in this prospectus.

Fair value loss on financial assets at fair value through profit or loss

The fair value loss on financial assets at fair value through profit or loss of approximately HK\$2.1 million, HK\$0.3 million and HK\$0.4 million for the years ended 31 December 2016, 2017 and 2018 respectively is mainly attributable to Yu Ming's investment in equity securities.

FINANCIAL INFORMATION OF YU MING

Net financial income generated from proprietary trading

During the Track Record Period, Yu Ming has engaged in proprietary trading of equity securities and fixed income products, selecting investment targets based on Yu Ming's own risks profile and investment cycle. The relevant income from the proprietary trading of Yu Ming was recorded in "Other net (loss)/income" and "Other net financial income" in the Accountants' Report on Yu Ming.

For illustration purpose only, set out below is the breakdown of the net financial income generated by Yu Ming's proprietary trading during the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income from financial assets at fair value through other comprehensive income	5,914	5,556	1,237
Interest income from bank deposits	<u>178</u>	<u>583</u>	<u>1,783</u>
 Total interest income derived from financial assets not at fair value through profit and loss	 6,092	 6,139	 3,020
 Realised gain on redemption of financial assets at fair value through other comprehensive income	 3,577	 1,623	 –
Fair value loss on financial assets at fair value through profit or loss	(2,143)	(273)	(378)
Exchange (loss)/gain, net	(544)	886	521
Dividend income	878	–	–
Loss allowance for expected credit losses on financial assets at fair value through other comprehensive income	<u>(773)</u>	<u>–</u>	<u>–</u>
 Net financial income generated from proprietary trading	 <u><u>7,087</u></u>	 <u><u>8,375</u></u>	 <u><u>3,163</u></u>

For the year ended 31 December 2017, Yu Ming recorded a net financial income generated from proprietary trading of approximately HK\$8.4 million compared with a net financial income of approximately HK\$7.1 million for the year ended 31 December 2016. Such increase was mainly due to (i) the decrease in fair value loss on financial assets at fair value through profit or loss to approximately HK\$0.3 million from a fair value loss on financial assets at fair value through profit or loss of approximately HK\$2.1 million for the year ended 31 December 2016; (ii) decrease in realised gain on redemption of financial assets at fair value through other comprehensive income to approximately HK\$1.6 million from approximately HK\$3.6 million for the year ended 31 December 2016; and (iii) an exchange gain of approximately HK\$0.9 million was recorded compared with an exchange loss of approximately HK\$0.5 million for the year ended 31 December 2016.

FINANCIAL INFORMATION OF YU MING

For the year ended 31 December 2018, Yu Ming recorded a net financial income generated from proprietary trading of approximately HK\$3.2 million compared with a net financial income of approximately HK\$8.4 million for the year ended 31 December 2017. The decrease in net financial income generated from proprietary trading was mainly due to (i) the decrease in interest income from financial assets at fair value through other comprehensive income to approximately HK\$1.2 million from approximately HK\$5.6 million for the year ended 31 December 2017, which was partially offset by the increase in interest income from bank deposits from approximately HK\$0.6 million for the year ended 31 December 2017 to approximately HK\$1.8 million for the year ended 31 December 2018 and (ii) decrease in realised gain on redemption of financial assets at fair value through other comprehensive income from approximately HK\$1.6 million for the year ended 31 December 2017 to nil for the year ended 31 December 2018.

Employee benefit expenses

The table below sets out the breakdown of the employee benefit expenses of Yu Ming for the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Salaries and allowances	7,439	8,009	8,135
Discretionary bonuses	15,361	19,530	7,245
Pension cost – defined contribution plan	<u>348</u>	<u>370</u>	<u>379</u>
	<u>23,148</u>	<u>27,909</u>	<u>15,759</u>

Yu Ming's employee benefit expenses mainly consist of salaries, bonus and allowances as well as contributions to the mandatory provident fund for the employees of Yu Ming.

For the year ended 31 December 2017, employee benefit expenses increased by approximately 20.6% to approximately HK\$27.9 million. It was mainly attributable to the increase in discretionary bonuses reflecting the growth in revenue of Yu Ming in 2017 as compared to that of 2016.

For the year ended 31 December 2018, employee benefit expenses decreased by approximately 43.5% to approximately HK\$15.8 million. It was mainly attributable to decrease in discretionary bonuses reflecting the decrease in revenue of Yu Ming in 2018 as compared to that of 2017.

Gross profit

Gross profit is not applicable to Yu Ming due to its business nature.

FINANCIAL INFORMATION OF YU MING

Operating lease and other operating expenses

The operating lease and other operating expenses mainly include rent and rates, entertainment expense and research service charges. The table below sets out the breakdown of the operating expenses of Yu Ming for the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Rents and rates	959	1,068	1,102
Entertainment expenses	340	262	302
Research service charges	418	425	435
Others	<u>1,450</u>	<u>3,013</u>	<u>2,519</u>
	<u>3,167</u>	<u>4,768</u>	<u>4,358</u>

Others mainly comprise legal and professional fee, building management fee, insurance expenses, utility expenses and various miscellaneous expenses.

For the year ended 31 December 2017, the operating lease and other operating expenses increased by approximately HK\$1.6 million from approximately HK\$3.2 million for the year ended 31 December 2016 to approximately HK\$4.8 million, mainly due to the increase in legal fee for litigations relating to Yu Ming.

For the year ended 31 December 2018, the operating lease and other operating expenses of approximately HK\$4.4 million is similar to that for the year ended 31 December 2017 of approximately HK\$4.8 million.

Profit before income tax

For the year ended 31 December 2017, Yu Ming's profit before income tax increased by approximately 20.7% to approximately HK\$49.3 million from approximately HK\$40.8 million for the year ended 31 December 2016. The increase in profit before income tax for 2017 was mainly due to increase in revenue as described in the sub-paragraph headed "Revenue" in this section above.

For the year ended 31 December 2018, Yu Ming's profit before income tax decreased by approximately 13.5% to approximately HK\$42.6 million from approximately HK\$49.3 million for the year ended 31 December 2017. The decrease in profit before income tax for 2018 was mainly due to decrease in revenue as described in the sub-paragraph headed "Revenue" in this section above.

FINANCIAL INFORMATION OF YU MING

Income tax expense

Yu Ming's income tax expense includes provision for Hong Kong income tax expenses. The effective tax rate of Yu Ming is calculated as the income tax expense divided by the profit before income tax.

For the year ended 31 December 2016, the effective tax rate of Yu Ming of approximately 13.9% is lower than the standard tax rate of Hong Kong of 16.5% mainly due to adjustment for non-taxable income of change in fair value of securities of approximately HK\$0.9 million and bond interest income of approximately HK\$3.5 million.

For the year ended 31 December 2017, the effective tax rate of Yu Ming of approximately 15.4% is lower than the standard tax rate of Hong Kong of 16.5% mainly due to adjustment for non-taxable income of bond interest income of approximately HK\$0.3 million and exchange gain of approximately HK\$0.9 million.

For the year ended 31 December 2018, the effective tax rate of Yu Ming of approximately 15.3% is lower than the standard tax rate of Hong Kong of 16.5% mainly due to adjustment for non-taxable income of bank interest of approximately HK\$1.8 million, exchange gain of approximately HK\$0.5 million and bond interest income of approximately HK\$0.6 million.

The directors of Yu Ming confirm that Yu Ming has made all required tax filings in all relevant jurisdictions and paid all tax liabilities that have become due. Yu Ming is not subject to any dispute or potential dispute with any tax authorities. As at 31 December 2018, Yu Ming did not have any significant unrecognised deferred tax liabilities.

Profit for the year

For the year ended 31 December 2017, Yu Ming's profit for the year increased by approximately 18.7% to approximately HK\$41.7 million from approximately HK\$35.1 million for the year ended 31 December 2016. Yu Ming's net profit margin was approximately 56.7% for the year ended 31 December 2017. The increase in profit for 2017 was mainly due to a rise in revenue from corporate finance business in 2017 as a result of (i) increase in average recognized revenue per corporate finance advisory transaction as 5 High Value Engagements were recognized as revenue in 2017 while only 3 High Value Engagements were recognized as revenue in 2016; and (ii) increase in retainer engagements from 11 in 2016 to 16 in 2017.

For the year ended 31 December 2018, Yu Ming's profit for the year decreased by approximately 13.4% to approximately HK\$36.1 million from approximately HK\$41.7 million for the year ended 31 December 2017. Yu Ming's net profit margin was approximately 60.6% for the year ended 31 December 2018. The decrease in profit for 2018 was mainly due to a reduction in revenue from corporate finance business in 2018 as a result of a drop in average recognized revenue per corporate finance advisory transaction since (i) only 4 High Value Engagements were recognized as revenue in 2018 while 5 High Value Engagements were recognized as revenue in 2017; and (ii) 3 retainer engagements were terminated in 2018 due to the commercial reasons of clients and the new retainer

FINANCIAL INFORMATION OF YU MING

engagements entered into have lower monthly fee than the terminated engagements, and one engagement letter was renewed in 2018 at a lower monthly fee, resulting in the lower total fee from retainer engagements despite the total number of retainer engagements remained at 16 as year 2017.

LIQUIDITY AND CAPITAL RESOURCES

Yu Ming's primary uses of cash are mainly to finance its operations and invest in securities. During the Track Record Period, Yu Ming's principal sources of liquidity and capital resources were cash from business operations and did not have any financing activities.

The following table summarises the cash and cash equivalents movements of Yu Ming during the Track Record Period:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit before working capital changes	33,760	41,097	39,702
Net cash generated from operating activities	83,525	43,306	15,215
Net cash generated from investing activities	7,912	85,458	9,976
Net cash used in financing activities	–	(20,000)	(200,000)
Net increase/(decrease) in cash and cash equivalents	91,437	108,764	(174,809)
Cash and cash equivalents at the 1 January	<u>57,545</u>	<u>148,982</u>	<u>257,746</u>
Cash and cash equivalents at the 31 December	<u><u>148,982</u></u>	<u><u>257,746</u></u>	<u><u>82,937</u></u>

Cash flow from operating activities

Cash flow from operating activities reflects profit before income tax adjusted for (i) non-cash items such as depreciation, changes in fair value of financial assets at fair value through profit or loss; (ii) the effects of cash flows arising from increases or decreases in trade and other receivables and deposits paid and other payables and accrued expenses; and (iii) income and loss from investing activities such as interest income/dividend from financial assets and realised gain/loss from financial assets.

Operating activities recorded a net inflow of approximately HK\$83.5 million for the year ended 31 December 2016, a net inflow of approximately HK\$43.3 million for the year ended 31 December 2017 and a net inflow of approximately HK\$15.2 million for the year ended 31 December 2018.

For the year ended 31 December 2016, net cash generated from operating activities of approximately HK\$83.5 million was primarily due to (i) profit before income tax of approximately HK\$40.8 million; (ii) interest income from financial assets at fair value through other comprehensive income of approximately HK\$5.9 million; (iii) fair value loss

FINANCIAL INFORMATION OF YU MING

on financial assets at fair value through profit or loss of approximately HK\$2.1 million; (iv) increase in trade and other receivables and deposits paid of approximately HK\$0.7 million; (v) change in financial assets at fair value through profit or loss of approximately HK\$37.1 million; (vi) increase in other payables and accrued expense of approximately HK\$6.9 million; (vii) payment for profit tax of approximately HK\$3.3 million; and (viii) increase in contract liabilities of approximately HK\$8.9 million.

For the year ended 31 December 2017, net cash generated from operating activities of approximately HK\$43.3 million was primarily due to (i) profit before income tax of approximately HK\$49.3 million; (ii) interest income from financial assets at fair value through other comprehensive income of approximately HK\$5.6 million; (iii) increase in other payables and accrued expenses of approximately HK\$4.1 million; (iv) change in balances with a fellow subsidiary of approximately HK\$2.1 million; (v) payment for profit tax of approximately HK\$11.8 million; and (vi) increase in contract liabilities of approximately HK\$11.9 million.

For the year ended 31 December 2018, net cash generated from operating activities of approximately HK\$15.2 million was primarily due to (i) profit before income tax of HK\$42.6 million; (ii) decrease in contract liabilities of approximately HK\$8.5 million; (iii) decrease in other payables and accrued expenses of approximately HK\$11.6 million; (iv) interest income from financial assets at fair value through other comprehensive income of approximately HK\$1.2 million; (v) interest income from bank deposits of approximately HK\$1.8 million; (vi) increase in trade and other receivables and deposits paid of approximately HK\$2.4 million; (vii) change in balances with a fellow subsidiary of approximately HK\$2.9 million and (viii) payment for profit tax of approximately HK\$6.8 million.

Cash flow from investing activities

Cash flow from investing activities of Yu Ming includes purchase of financial assets, interest income from financial assets and proceeds from disposal of financial assets and other investments.

Investing activities of Yu Ming incurred a net inflow of approximately HK\$7.9 million for the year ended 31 December 2016, a net inflow of approximately HK\$85.5 million for the year ended 31 December 2017 and a net inflow of approximately HK\$10.0 million for the year ended 31 December 2018.

For the year ended 31 December 2016, net cash generated from investing activities of approximately HK\$7.9 million was primarily due to (i) proceeds from redemption of debt securities of approximately HK\$77.6 million; (ii) purchase of debt securities of approximately HK\$77.6 million; and (iii) interest received from debt securities of approximately HK\$8.0 million.

For the year ended 31 December 2017, net cash generated from investing activities of approximately HK\$85.5 million was mainly due to interest received from debt securities of approximately HK\$7.4 million and proceeds from redemption of debt securities of approximately HK\$78.1 million.

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For the year ended 31 December 2018, net cash generated from investing activities of approximately HK\$10.0 million was mainly due to proceeds from redemption of a debt security of approximately HK\$8.7 million and interest received from debt securities of approximately HK\$1.4 million.

Cash flow from financing activities

Save for the payment of dividend of HK\$20 million for the year ended 31 December 2017 and dividend of HK\$200 million for the year ended 31 December 2018, Yu Ming did not have any financing activities during the Track Record Period.

Capital expenditure

For the years ended 31 December 2016, 2017 and 2018, the capital expenditure of Yu Ming amounted to approximately HK\$64,000, HK\$23,000 and HK\$55,000 respectively for purchase of office equipment.

As at 31 December 2018, Yu Ming did not have any capital commitment.

Foreign exchange liabilities

The revenue of Yu Ming is denominated in Hong Kong dollars and Yu Ming's accounts are prepared in Hong Kong dollars. As such, the exposure to the risk of foreign exchange rate fluctuations for Yu Ming is not material.

Yu Ming recorded net foreign exchange loss of approximately HK\$0.5 million, net foreign exchange gain of approximately HK\$0.7 million and net foreign exchange gain of approximately HK\$0.3 million for the years ended 31 December 2016, 2017 and 2018 respectively, mainly attributable to Yu Ming's investment in debt securities denominated in foreign currencies.

Financial resources

Yu Ming's operations and investments have been financed by net cash generated from its business operations. As at 31 December 2018, Yu Ming had cash and cash equivalents of approximately HK\$82.9 million.

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STATEMENT OF FINANCIAL POSITION

Highlights of statement of financial position

	As at 31 December		
	2016	2017	2018
	<i>HK'000</i> <i>(audited)</i>	<i>HK'000</i> <i>(audited)</i>	<i>HK'000</i> <i>(audited)</i>
Total assets	260,159	296,335	111,750
Total liabilities	31,497	45,206	25,164
Net current assets	<u>126,345</u>	<u>234,095</u>	<u>70,197</u>
 Net assets	 228,662	 251,129	 86,586

The net assets of Yu Ming increased from approximately HK\$228.7 million as at 31 December 2016 to approximately HK\$251.1 million as at 31 December 2017 mainly due to increase in reserve as a result of net profit of approximately HK\$41.7 million was recorded in 2017, offsetting by the payment of cash dividend of HK\$20 million during the year.

The net assets of Yu Ming decreased from approximately HK\$251.1 million as at 31 December 2017 to approximately HK\$86.6 million as at 31 December 2018 mainly due to the net effect of payment of cash dividend of HK\$200 million and the net profit of approximately HK\$36.1 million recorded in 2018.

Details of the assets and liabilities of Yu Ming during the Track Record Period are set out below.

Non-current assets

The following table sets out the non-current assets of Yu Ming as at 31 December 2016, 2017 and 2018.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	97	54	76
Financial assets at fair value through other comprehensive income	102,170	16,925	16,263
Other assets	50	50	50
Trade and other receivables and deposits paid	<u>–</u>	<u>5</u>	<u>–</u>
	<u>102,317</u>	<u>17,034</u>	<u>16,389</u>

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Property, plant and equipment

During the Track Record Period and up to the Latest Practicable Date, Yu Ming does not own any properties. The carrying value of the property, plant and equipment is attributable to office equipment.

Financial assets at fair value through other comprehensive income (non-current)

Set out below is the breakdown of Yu Ming's financial assets at fair value through other comprehensive income.

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Listed debt securities	94,319	16,925	16,263
Unlisted debt securities	<u>7,851</u>	<u>—</u>	<u>—</u>
	<u>102,170</u>	<u>16,925</u>	<u>16,263</u>

As at 31 December 2017, the value of Yu Ming's investment in non-current debt securities decreased from approximately HK\$102.2 million as at 31 December 2016 to approximately HK\$16.9 million due to debt securities of approximately HK\$8.5 million be reclassified from non-current assets to current assets and debt securities of approximately HK\$77.5 million, which was classified as non-current assets in 2016, was redeemed in 2017.

As at 31 December 2018, the value of Yu Ming's investment in debt securities was approximately HK\$16.3 million which was similar to that of approximately HK\$16.9 million as at 31 December 2017.

Yu Ming will before Acquisition Completion declare and pay dividend in form of cash and distribution in specie of the investment assets held by it to the Vendor to the extent that the net asset value of Yu Ming shall not be less than HK\$10 million.

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Net current assets

The following table sets out the net current assets of Yu Ming as at 31 December 2016, 2017 and 2018.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets			
Financial assets at fair value through other comprehensive income	–	8,461	–
Trade and other receivables and deposits paid	2,439	2,936	5,294
Financial assets at fair value through profit or loss	1,028	755	377
Amount due from a fellow subsidiary	5,393	7,462	4,575
Taxation recoverable	–	1,941	2,178
Cash and cash equivalents	<u>148,982</u>	<u>257,746</u>	<u>82,937</u>
	<u>157,842</u>	<u>279,301</u>	<u>95,361</u>
Current liabilities			
Contract liabilities	13,045	24,909	16,456
Other payables and accrued expenses	15,889	19,962	8,315
Amount due to a holding company	295	335	393
Taxation payable	<u>2,268</u>	<u>–</u>	<u>–</u>
	<u>31,497</u>	<u>45,206</u>	<u>25,164</u>
Net current assets	<u><u>126,345</u></u>	<u><u>234,095</u></u>	<u><u>70,197</u></u>

Financial assets at fair value through other comprehensive income (current)

As at 31 December 2017, debt securities in the amount of approximately HK\$8.5 million was reclassified as current portion of financial assets at fair value through other comprehensive income from non-current portion of financial assets at fair value through other comprehensive income as at 31 December 2016, and was subsequently redeemed in 2018.

FINANCIAL INFORMATION OF YU MING

Trade and other receivables and deposits paid

Set out below is the breakdown of Yu Ming's trade and other receivables and deposits paid.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current			
Prepayment	–	5	–
Current			
Trade receivables	2,118	2,406	4,738
Other receivables	73	248	258
Prepayment	30	36	52
Rental and utility deposits	218	246	246
	<u>2,439</u>	<u>2,936</u>	<u>5,294</u>
	<u><u>2,439</u></u>	<u><u>2,941</u></u>	<u><u>5,294</u></u>

Trade and other receivables of Yu Ming mainly comprises trade receivables from corporate finance business of approximately HK\$2.1 million, HK\$2.4 million and HK\$4.7 million as at 31 December 2016, 2017 and 2018 respectively.

The credit terms of trade receivables of Yu Ming are applied to its customers according to industry practice together with consideration of the customers' creditability, repayment history and years of establishment. The following is an ageing analysis of trade receivables presented based on the invoice date.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	781	151	3,882
Over 30 but within 60 days	530	50	150
Over 60 days	807	2,205	706
	<u>2,118</u>	<u>2,406</u>	<u>4,738</u>
	<u><u>2,118</u></u>	<u><u>2,406</u></u>	<u><u>4,738</u></u>

During the Track Record Period, Yu Ming did not make any loss allowance for expected credit losses on its trade receivables. All of the balance as at 31 December 2016 and 2017 were subsequently settled. Approximately HK\$1.3 million of trade receivables as at 31 December 2018 were settled by the Latest Practicable Date.

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Financial assets at fair value through profit or loss

As at 31 December 2016, 2017 and 2018, the financial assets at fair value through profit or loss of Yu Ming of approximately HK\$1.0 million, HK\$0.8 million and HK\$0.4 million respectively is attributable to listed equity securities held for trading.

Yu Ming will before Acquisition Completion declare and pay dividend in form of cash and distribution in specie of the investment assets held by it to the Vendor to the extent that the net asset value of Yu Ming shall not be less than HK\$10 million.

Amount due from a fellow subsidiary

The amount due from a fellow subsidiary of approximately HK\$5.4 million, HK\$7.5 million and HK\$4.6 million as at 31 December 2016, 2017 and 2018 is mainly attributable to management fee and performance fee payable by SHK to Yu Ming.

Cash and cash equivalents

Cash and cash equivalents of Yu Ming comprise cash on hand and at banks and short term time deposits.

As at 31 December 2017, the cash and cash equivalent increased from approximately HK\$149.0 million as at 31 December 2016 to approximately HK\$257.7 million mainly due to the payment of dividend of HK\$20.0 million which offset the cash generated from operating activities and investing activities in 2017.

As at 31 December 2018, the cash and cash equivalent decreased from approximately HK\$257.7 million as at 31 December 2017 to approximately HK\$82.9 million mainly due to the payment of dividend of HK\$200.0 million which offset the cash generated from operating activities and investing activities in 2018.

Contract liabilities

The contract liabilities of approximately HK\$13.0 million, HK\$24.9 million and HK\$16.5 million as at 31 December 2016, 2017 and 2018 respectively mainly relate to the advance consideration received from customers (and recognised according to HKFRS 15).

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Other payables and accrued expenses

Other payables and accrued expenses mainly consist of provision for bonus.

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Provision of bonus	15,640	19,710	8,000
Other payables	<u>249</u>	<u>252</u>	<u>315</u>
	<u>15,889</u>	<u>19,962</u>	<u>8,315</u>

As at 31 December 2018, the other payables and accrued expenses decreased from approximately HK\$20.0 million as at 31 December 2017 to approximately HK\$8.3 million mainly due to decrease in provision of bonus reflecting the decrease in revenue of Yu Ming in 2018.

Other payables mainly include audit fee, other professional charges and other accrued operating expenses.

Amount due to a holding company

The amount due to a holding company mainly represents the operating expenses paid on behalf of Yu Ming by the holding company. Upon the Acquisition Completion, the amount due to a holding company will be reclassified as other payables as Yu Ming will cease to be a subsidiary of Allied Group. For details in relation to the aforesaid reclassification in the pro forma financial information of the Enlarged Group, please refer to Appendix III “Unaudited pro forma financial information of the Enlarged Group” of this prospectus.

Taxation recoverable and payable

Taxation payable decreased from approximately HK\$2.3 million as at 31 December 2016 to taxation recoverable of approximately HK\$1.9 million as at 31 December 2017 mainly due to tax and provisional tax paid increased from HK\$3.3 million for the year ended 31 December 2016 to HK\$11.8 million for the year ended 31 December 2017.

Taxation recoverable as at 31 December 2018 of approximately HK\$2.2 million was similar to that as at 31 December 2017.

Borrowings

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had no borrowings. As of the Latest Practicable Date, Yu Ming did not have any banking facilities.

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Security

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had no mortgages or charges.

Contingent liabilities

During the Track Record Period and up to the Latest Practicable Date, Yu Ming had no material contingent liabilities.

SUMMARY OF KEY FINANCIAL RATIOS

The following table sets out a summary of Yu Ming's key financial ratios for the years ended/as at 31 December 2016, 2017 and 2018.

	For the year ended/as at 31 December		
	2016	2017	2018
Net profit margin	58.5%	56.7%	60.6%
Return on equity	15.4%	16.6%	41.7%
Return on assets	13.5%	14.1%	32.3%
Current ratio	501.1%	617.8%	379.0%
Gearing ratio	0.0%	0.0%	0.0%
Debtors' turnover days	45.7 days	49.0 days	57.1 days
Creditors' turnover days	Nil	Nil	Nil

Net profit margin

Net profit margin is calculated by the profit for the year divided by the revenue for the respective year.

Net profit margin was approximately 56.7% for the year ended 31 December 2017 which was similar to that of approximately 58.5% for the year ended 31 December 2016.

Net profit margin increased from approximately 56.7% for the year ended 31 December 2017 to approximately 60.6% for the year ended 31 December 2018. The increase in net profit margin for the year ended 31 December 2018 was mainly due to decrease in employee benefit expense.

Return on equity

Return on equity is calculated by the profit for the year divided by total equity at the end of the respective year.

The return on equity of Yu Ming was approximately 15.4%, 16.6% and 41.7% for the years ended 31 December 2016, 2017 and 2018 respectively.

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The return on equity was approximately 16.6% for the year ended 31 December 2017 which was similar to that of approximately 15.4% for the year ended 31 December 2016.

The increase in return on equity in 2018 compared with 2017 was mainly due to the decrease in the equity reserves of approximately HK\$164.5 million as a result of payment of dividend of HK\$200.0 million in 2018.

Return on assets

Return on assets is calculated by the profit for the year divided by total assets at the end of the respective year.

The return on assets of Yu Ming was approximately 13.5%, 14.1% and 32.3% for the years ended 31 December 2016, 2017 and 2018 respectively.

The return on assets was approximately 14.1% for the year ended 31 December 2017 which was similar to that of approximately 13.5% for the year ended 31 December 2016.

The increase in return on assets in 2018 compared with 2017 was mainly due to the decrease in cash and cash equivalents of approximately HK\$174.8 million as a result of payment of dividend of HK\$200.0 million in 2018.

Current ratio

Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year.

The current ratio of Yu Ming was approximately 501.1%, 617.8% and 379.0% as at 31 December 2016, 2017 and 2018 respectively.

The current ratio as at 31 December 2017 increased to 617.8% from 501.1% as at 31 December 2016 mainly due to the increase in current assets by approximately HK\$121.5 million resulting from reclassification of financial assets at fair value through other comprehensive income of approximately HK\$8.5 million from non-current assets to current assets and the proceeds from redemption of financial assets at fair value through other comprehensive income of approximately HK\$78.1 million which was classified as non-current assets in 2016.

The current ratio as at 31 December 2018 decreased to 379.0% from 617.8% as at 31 December 2017 mainly due to the decrease in cash and cash equivalents of approximately HK\$174.8 million as a result of payment of dividend of HK\$200.0 million in 2018.

Gearing ratio

Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective year.

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The gearing ratio of Yu Ming was nil as at 31 December 2016, 2017 and 2018 as Yu Ming did not have any borrowing during the Track Record Period.

Debtors' turnover days

Debtors' turnover days is calculated based on the ending balance of trade receivables (inclusive of debtors from corporate finance advisory and asset management businesses) of a given year divided by revenue for the given year and multiplied by the number of days in the given year.

The debtors' turnover days were 49.0 days as at 31 December 2017, which was similar to that of 45.7 days as at 31 December 2016.

The debtors' turnover days as at 31 December 2018 increased to 57.1 days from 49.0 days as at 31 December 2017, mainly due to decrease in revenue and increase in trade receivables.

Creditors' turnover days

Creditors' turnover days is calculated based on the ending balance of trade payables of a given year divided by revenue for the given year and multiplied by the number of days in the given year.

The creditors' turnover days of Yu Ming was nil as at 31 December 2016, 2017 and 2018 as Yu Ming did not have any trade creditors during the Track Record Period.

OFF-BALANCE SHEET ARRANGEMENT

Yu Ming did not have any outstanding off-balance sheet guarantees, interest rate swap transactions, foreign currency and commodity forward contracts or other off-balance sheet arrangements during the Track Record Period. Yu Ming does not engage in trading activities involving non-exchange traded contracts or transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

RELATED PARTY TRANSACTIONS

Regarding the related party transactions set out in note 26 to the Accountants' Report on Yu Ming in Appendix I to this prospectus, the Proposed Directors confirm that these transactions were conducted on normal commercial terms and/or that such terms were no less favourable to Yu Ming than those offered to third parties independent to Yu Ming and were fair and reasonable and in the interest of its shareholders as a whole. The Proposed Directors also confirm that such related party transactions did not distort Yu Ming's results during the Track Record Period and would not make its historical results not reflective of future performance.

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INDEBTEDNESS

As at 31 May 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Enlarged Group had the following indebtedness:

Borrowings

i. The Group

HK\$'000

Unsecured and unguaranteed:

Borrowings	38,508
Corporate bonds	45,000
Amounts due to deconsolidated subsidiaries	136,097
Convertible bonds	<u>701,099</u>
Total	<u>920,704</u>

ii. Yu Ming

Nil

iii. The Enlarged Group

HK\$'000

Unsecured and unguaranteed:

Borrowings	38,508
Corporate bonds	45,000
Amounts due to deconsolidated subsidiaries	136,097
Convertible bonds	<u>701,099</u>
Total balances	<u>920,704</u>

Contingent liabilities

As at 31 May 2019, the Group did not have any material contingent liabilities. Referring to Appendix I to this prospectus, Yu Ming has a litigation which Yu Ming may be liable to pay HK\$5,300,000 which is relating to claiming recovery of fees paid to it under two previous engagements together with interest calculated from 8 May 2017 and the plaintiff's costs incurred in the action (the "Action"), the amount of which cannot be quantified yet. Yu Ming has appointed legal advisor to act for it in relation to the Action, and based on the information and documents Yu Ming provided to it, such legal advisor is of the opinion that, the vagaries of litigation aside, Yu Ming

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is very likely to successfully defend the Action. The directors of Yu Ming, having obtained the legal opinion from the legal adviser, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated.

Commitments

Capital commitment

As at 31 May 2019, the Group and Yu Ming did not have any material capital commitment.

Operating lease commitments

As at 31 May 2019, the Group and Yu Ming had significant commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<i>HK\$'000</i>
Within one year	87
In the second to fifth year, inclusive	<u>—</u>
	<u><u>87</u></u>

Disclaimer

Save as disclosed above, as at 31 May 2019, the Group and Yu Ming did not have any debt securities, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance, outstanding convertible debt securities or other similar indebtedness, any guarantees or other material contingent liabilities.

To the best understanding and knowledge of the Liquidators and the directors of Yu Ming, the Liquidators and the directors of Yu Ming confirm that there had been no material changes to the indebtedness position of the Group and Yu Ming respectively since 31 May 2019 up to the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As of 31 December 2018, Yu Ming had HK\$76.6 million reserves available for distribution to its shareholders.

DIVIDEND

In January 2017, May 2017 and September 2018, Yu Ming proposed, approved and paid dividends of HK\$10,000,000, HK\$10,000,000 and HK\$200,000,000 in cash to the Vendor respectively.

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Yu Ming will before Acquisition Completion declare and pay dividend in cash and in form of distribution in specie of the investment assets held by it to the Vendor to the extent that the net asset value of Yu Ming shall not be less than HK\$10 million.

Yu Ming funded its dividend payments by its operating cash flow.

The Proposed Directors may or may not recommend a payment of dividend in future after taking into account various relevant factors including but not limited to the financial condition, capital requirements and earnings of the Enlarged Group, and subject to the Articles. There is no guarantee that dividends will be paid in the future.

UNAUDITED PRO FORMA NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma net assets of the Enlarged Group attributable to the equity holders of the Company would be of approximately HK\$409.9 million which are extracted from the Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as if the Acquisition were completed on 31 December 2018. For details in relation to the pro forma financial information of the Enlarged Group, please refer to Appendix III “Unaudited pro forma financial information of the Enlarged Group” of this prospectus.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, there was no material change to the business model and operation of Yu Ming. Yu Ming continued to provide asset management service to SHK and corporate finance advisory service to its clients on both transaction basis and retainer basis.

The directors of Yu Ming confirm that there has been no material change in the financial or trading positions or outlook of Yu Ming since 31 December 2018 (being the date to which the latest audited financial statements of Yu Ming were made up as reported in “Appendix I – Accountants’ Report on Yu Ming” of this prospectus) up to and including the Latest Practicable Date.

So far as the Proposed Directors are aware, there has been no material change in the general condition of the corporate finance advisory services and asset management services industry in which Yu Ming operates which has materially and adversely affected Yu Ming’s results of operations or financial condition since 31 December 2018 and up to the date of this prospectus.

After due and careful consideration, the Proposed Directors confirm that, up to the date of this prospectus, there has been no material adverse change in the financial and trading position or prospects of Yu Ming since 31 December 2018, and there is no event since 31 December 2018 which would materially affect the information shown in Appendix I to this prospectus.

Subsequent to 31 December 2018 and up to 31 May 2019, Yu Ming handled 6 transactions as financial adviser, 2 transactions as independent financial adviser and acting as retainer financial adviser for 12 clients.

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DISCLOSURE REQUIRED UNDER THE LISTING RULES

During the Track Record Period and as at the Latest Practicable Date, there are no circumstances which would give rise to disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules in respect of Yu Ming.

DISCLOSURE REQUIRED UNDER THE COMPANIES ORDINANCE

The financial information of Yu Ming for the year ended 31 December 2016 has been prepared for inclusion in this prospectus. Yu Ming, as a wholly owned subsidiary of Fine Era Limited, applied section 379(3) of the Companies Ordinance to prepare company level financial statements as Yu Ming's statutory financial statements. Consequently, this financial information does not constitute Yu Ming's statutory financial statements for the year ended 31 December 2016.

Further, financial information of Yu Ming contained in this prospectus does not constitute Yu Ming's statutory financial statements for either of the years ended 31 December 2016, 2017 or 2018 but is derived from those financial statements.

Information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

As Yu Ming is a private company, it is not required to deliver its financial statements to the Registrar of Companies, and has not done so.

Yu Ming's auditor has reported on the company level financial statements for all three years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis; and did not contain a statement under either sections 406(2), 407(2) or (3) of the Companies Ordinance.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of the Company (i) in issue as at the Latest Practicable Date; and (ii) in issue and to be issued as fully paid or credited as fully paid immediately following the Capital Reorganisation becoming effective, and the completion of the YM Subscription, the New Placing and the Public Offer (without taking into account of any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme):

(i) As at the Latest Practicable Date

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>3,000,000,000</u> Shares of HK\$0.1 each	<u>300,000,000.00</u>
 <i>Issued share capital:</i>	
<u>1,001,765,216</u> Shares of HK\$0.1 each	<u>100,176,521.60</u>

(ii) Immediately following the Capital Reorganisation becoming effective, and the completion of the YM Subscription, the New Placing and the Public Offer

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>10,000,000,000</u> New Shares of HK\$0.1 each	<u>1,000,000,000.00</u>
 <i>Issued share capital:</i>	
100,176,521 New Shares of HK\$0.1 each immediately upon the Capital Reorganisation becoming effective	10,017,652.10
512,698,586 New Placing Shares to be allotted and issued under the New Placing	51,269,858.60
284,750,000 Subscription Shares to be allotted and issued under the YM Subscription	28,475,000.00
150,264,780 Offer Shares to be allotted and issued under the Preferential Offering on the basis of Assured Entitlement of three (3) Offer Shares for every twenty (20) Shares held on the Record Date (equivalent to two (2) New Shares upon the Capital Reorganisation becoming effective) (assuming all of the Qualifying Shareholders take up their Assured Entitlement)	15,026,478.00
91,440,303 Offer Shares to be allotted and issued under the Public Offer (excluding the Preferential Offering)	9,144,030.30
<u>1,139,330,190</u> New Shares in total	<u>113,933,019.00</u>

SHARE CAPITAL

ASSUMPTIONS

The table as shown above assumes the Public Offer becoming unconditional and the allotment and issue of New Shares pursuant thereto is made as described herein. It does not take into account any New Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and any New Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to allot and issue or repurchase New Shares.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, upon Resumption and at all times thereafter, the Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of the Company in the hands of the public (as defined in the Listing Rules).

RANKING

The Offer Shares will be ordinary shares of the Company and will rank *pari passu* in all respects with all the New Shares in issue or to be issued as mentioned in this prospectus and will qualify for all dividends and other distributions declared, paid or made on the New Shares in respect of a record date which falls after the Resumption Date.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Pursuant to the Companies Law and the terms of the Memorandum and the Articles of Association, the Company may from time to time by ordinary resolution of shareholders (i) increase its share capital, (ii) consolidate and divide its capital into shares of larger amount, (iii) divide its shares into several classes, (iv) subdivide its shares into shares of smaller amount, and (v) cancel any shares which have not been taken. In addition, the Company may, subject to the provisions of the Companies Law, reduce the share capital or capital redemption reserve by the Shareholders passing a special resolution. For further details, please refer to the paragraph headed “2. Articles of Association – (a) Shares – (iii) Alteration of capital” in Appendix IV to this prospectus.

SHARE CAPITAL

Pursuant to the Companies Law and the terms of the Memorandum and the Articles of Association, all or any of the special rights attached to the shares or any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For further details, please refer to the paragraph headed “2. Articles of Association – (a) Shares – (ii) Variation of rights of existing shares or classes of shares” in Appendix IV to this prospectus.

FUTURE PLANS

The Proposed Directors believe that the Hong Kong equity market will continue to grow as the number of listed companies in Hong Kong rose steadily during the Track Record Period and more business opportunities is expected to emerge in the financial advisory services industry in the long run. The Enlarged Group will seek to capitalise the potential growth of the equity market and continue to participate in the financial advisory industry as an active advisory services provider in Hong Kong by continuing to provide services of the highest standards.

By adopting the proposed strategies as described in the paragraph headed “Business Strategies” in the “Business of Yu Ming” section in this prospectus, the Proposed Directors believe that Yu Ming will be able to further strengthen its market position as well as maximize returns to the Enlarged Group and its shareholders.

See the paragraph headed “Business Strategies” in the “Business of Yu Ming” section in this prospectus for a detailed description of Yu Ming’s business strategies.

UNDERWRITING

UNDERWRITER

Sun Hung Kai Investment Services Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Offer Shares (including the Reserved Shares) for subscription on and subject to the terms and conditions of this prospectus and the Application Forms relating thereto at the Offer Price.

Subject to, among other things, the approval of the listing of and permission to deal in the New Shares in issue and to be issued as mentioned herein (and such listing and permission not subsequently being revoked prior to the date on which dealings in the New Shares commence on the Stock Exchange) being granted by the Listing Division on or before 25 July 2019 or such later date as the Company and the Underwriter may agree in writing, the Underwriter has agreed to procure subscribers, on the terms and conditions of this prospectus and the Application Forms relating hereto, for the Offer Shares now being offered for subscription but not taken up under the Public Offer (including the Preferential Offering).

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 on or before 4:00 p.m. (Hong Kong time) on the date of announcement of the results of the Public Offer and the Preferential Offering:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any event, or series of events, beyond the reasonable control of the Underwriter (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism, riot, public disorder, economic sanctions, outbreak of diseases or epidemics including SARS and avian influenza and such related/mutated forms or interruption or delay in transportation) in or affecting Hong Kong, the Cayman Islands or any other jurisdiction relevant to any Enlarged Group company or the Public Offer (collectively, the “**Relevant Jurisdictions**”) which in the reasonable opinion of the Underwriter has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof; or
 - (ii) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change in local, national, regional or international financial,

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economic, political, military, industrial, fiscal, regulatory or market conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock, credit and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material fluctuation in the exchange rate of Hong Kong dollars against any foreign currency, or any interruption in securities settlement or clearance service or procedures) in or affecting the Relevant Jurisdictions; or

- (iii) any new law or change or development involving a prospective change in existing laws or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in any of the Relevant Jurisdictions; or
- (iv) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any of the Relevant Jurisdictions; or
- (v) change or development occurs involving a prospective change in taxation, exchange control, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; or
- (vi) any material change or development involving a prospective change, or a materialisation of, any of the risks set forth in the section headed “Risk Factors” in this prospectus; or
- (vii) any litigation or claim of material importance of any third party being threatened or instigated against any Enlarged Group company (other than those fully covered by an insurance policy of the Enlarged Group company) and/or the Proposed Directors; or
- (viii) a valid demand by any creditor for repayment or payment of any indebtedness of any Enlarged Group company or in respect of which any Enlarged Group company is liable prior to its stated maturity; or
- (ix) any material loss or damage sustained by any Enlarged Group company (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (x) a petition is presented for the winding up or liquidation of Yu Ming or Yu Ming makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of Yu Ming or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of Yu Ming or anything analogous thereto occurs in respect of Yu Ming;

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- (xi) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary of Hong Kong and/or the Hong Kong Monetary Authority or other competent authority) or any of the Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions;
- (xii) Mr. Warren Lee being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from directorship, or the commencement by any Governmental Authority of any investigation or other action against him as such or an announcement by any Governmental Authority that it intends to investigate or take any such actions; or
- (xiii) any material adverse change in the relations of Yu Ming business (as described in this prospectus) with its customers, suppliers or lenders or the financial condition or the position, results of operations, prospects, assets or liabilities of the said business as compared with the position, disclosed by the last audited accounts, and any material damage, destruction or loss (whether or not covered by insurance) affecting the said business or its assets or properties; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the Public Offer) or any aspect of the Public Offer with the Listing Rules, the Articles of Association, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO or any other applicable Laws by any of the Company or Mr. Warren Lee,

which, individually or in aggregate, in the absolute opinion of the Underwriter:

- (1) is/are or shall have or could be expected to have a material adverse effect on the assets, liabilities, general affairs, management, shareholders' equity, profits, losses, results of operations, business, financial or other condition or prospects of the Enlarged Group as a whole; or
- (2) has/have or shall have or could reasonably be expected to have an adverse effect on the success, marketability or pricing of the Public Offer or the level of applications under the Public Offer; or
- (3) make(s) it inadvisable, inexpedient or impracticable for the Public Offer to proceed; or
- (4) has or will or may be expected to have the effect of making any part of the Underwriting Agreement or the Public Offer incapable of implementation or performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Public Offer or pursuant to the underwriting thereof;

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- (b) there has come to the notice of the Underwriter:
- (i) that any statement, considered by the Underwriter to be material in its absolute discretion, contained in any of this prospectus, the Application Forms and any document in connection of the Public Offer was when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecast, expression of opinion, intention or expectation contained in any of such document is not true and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom reasonably considered by the Underwriter to be material to the Public Offer; or
 - (iii) any material breach of any of the obligations imposed upon any party to the Underwriting Agreement (other than on the Underwriter) which the Underwriter considers to be material; or
 - (iv) any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties of the Company under the Underwriting Agreement, which the Underwriter considers to be material; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Underwriting Agreement; or
 - (vi) approval by the Listing Committee and/or the Listing Division of the listing of, and permission to deal in, the New Shares in issue and to be issued or sold under the Public Offer is refused or not granted, other than subject to customary conditions, on or before the Resumption Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (vii) any person (other than the Underwriter) has withdrawn or sought to withdraw its consent to being named in any of the Public Offer Prospectus Documents (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or to the issue of any of such documents; or
 - (viii) the Company withdraws any of Public Offer Prospectus Documents and/or any other documents used in connection with the contemplated subscription of the Offer Shares; or
 - (ix) any prohibition on the Company by any Governmental Authority for whatever reasons from offering, allotting or issuing the New Shares pursuant to the terms of the Public Offer; and

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- (c) in the opinion of the SFC that there is significant undersubscription in the Public Offer, excluding the Preferential Offering, and therefore demonstrating lack of sufficient public interest in the Public Offer.

In the event that the Underwriter terminates the Underwriting Agreement by notice in writing given to the Company on or before 4:00 p.m. (Hong Kong time) on the date of announcement of the results of the Public Offer and the Preferential Offering, 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.

Undertakings by the Underwriter

Under the Underwriting Agreement, the Underwriter has undertaken in favour of the Company 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 of the Company 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.

Undertakings given by the Company

Under the Underwriting Agreement, the Company has undertaken to and covenanted with the Sponsor and the Underwriter that the Company shall not, unless in compliance with the requirements of the Listing Rules (including but not limited to Rule 10.08 of the Listing Rules) and as mentioned in this prospectus including any New Shares to be issued under the YM Subscription, the New Placing, the Public Offer, the grant of any option under the Share Option Scheme or the issue of New Shares upon exercise of any option granted under the Share Option Scheme, at any time during the First Six-Month Period:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any New Shares or other securities of the

UNDERWRITING

Company, or any interest in any of the foregoing (including, without limitation any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any New Shares), or deposit any New Shares or other securities of the Company, with a depository in connection with the issue of depository receipts;

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any New Shares or other securities of the Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any New Shares);
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of New Shares or such other securities of the Company or shares or other securities of such other member of the Enlarged Group, as applicable, or in cash or otherwise (whether or not the allotment or issue of New Shares or such other securities of the Company or shares or other securities of such other member of the Enlarged Group will be completed within the First Six-Month Period).

The Company has also undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within 6 months from the Resumption Date (whether or not such issue of shares or securities will be completed within 6 months from the Resumption Date), except for:

- (1) the issue of shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;
- (2) any capital reduction or consolidation or sub-division of shares, being the Capital Reorganisation; and
- (3) the issue of shares or securities pursuant to an agreement entered into before the Resumption Date, the material terms of which have been disclosed in this prospectus.

UNDERWRITING

Indemnities

The Company and Mr. Warren Lee (collectively, the “**Warrantors**”) have under the Underwriting Agreement undertaken to indemnify and keep each of the Sponsor, the Underwriter and each of their respective affiliates (the “**Indemnified Parties**”) at all times fully indemnified, against all actions, claims and proceedings from time to time against, and all losses, liabilities, damage, payments, costs (including, without limitation, legal costs) and expenses (including, without limitation, all payments, costs and expenses arising out of or in connection with the investigation, defence or settlement of any such actions, claims and proceedings or the enforcement of any such settlement or any judgment obtained in respect of any such actions, claims and proceedings) and taxation (collectively, “**Losses**” and individually a “**Loss**”) which any Indemnified Party may suffer or incur or which may be made or threatened against any Indemnified Party and which are, directly or indirectly, arising out of or in connection with:–

- (a) the performance by the Underwriter of its obligations under the Underwriting Agreement;
- (b) the issue, publication, distribution or making available of any of the Public Offer Prospectus Documents pursuant to the Underwriting Agreement and/or such documents (including any amendment thereof or supplement thereto) and all other public notices, announcements and advertisements in connection with the Public Offer;
- (c) the offer, allotment and issue of the Offer Shares;
- (d) any breach or alleged breach on the part of the Warrantors of any of the provisions of the Underwriting Agreement and the Memorandum and Articles of Association;
- (e) any of the warranties being untrue or misleading in any respect or having been breached in any respect or being alleged to be untrue or misleading in any respect or alleged to have been breached in any respect;
- (f) any breach or alleged breach by the Warrantors of the laws, rules or regulations of any country or territory resulting from the distribution of the Public Offer Prospectus Documents and/or any offer, sale or distribution of the Offer Shares;
- (g) any of the Public Offer Prospectus Documents containing any untrue or alleged untrue statement of a material fact, or omitting or alleged to omitting a fact necessary to make any statement therein, in the light of the circumstances under which it was made, not misleading;
- (h) any statement, estimate, forecast or expression of opinion, intention or expectation contained in the Public Offer Prospectus Documents or any amendment or supplement thereto being untrue, incomplete, inaccurate or misleading in any

UNDERWRITING

respect, or any omission to state therein a fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

- (i) any of the Public Offer Prospectus Documents failing or being alleged to fail to disclose sufficient information necessary to enable an informed assessment to be made of the assets and liabilities, financial position, profits and losses and prospects of the Group or of the rights attaching to the Offer Shares;
- (j) any settlement by any Enlarged Group company of any investigation or proceeding by any governmental or regulatory authority, commenced or threatened; and
- (k) the listing of the Offer Shares or the Public Offer failing or being alleged to fail to comply with the applicable requirements of the Listing Rules or any statute or statutory regulation at any applicable jurisdiction, or any condition or terms of any approvals in connection with the Public Offer.

PROVIDED THAT the indemnity provided for herein shall not apply in respect of an Indemnified Party to the extent, but only to the extent, that any such action, claim or proceeding made against, or any such loss, liabilities or damage suffered or any such payment, cost and expense made or incurred by, such Indemnified Party is finally judicially determined to have been caused solely by the gross negligence, wilful default or fraud on the part of such Indemnified Party. The non-application of the indemnity provided for herein in respect of any Indemnified Party shall not affect the application of such indemnity in respect of any other Indemnified Parties. Subject to the terms of the Underwriting Agreement, any settlement or compromise of any actions, claim or proceeding or loss, liabilities or damages by the Sponsor or any other Indemnified Party shall be made without prejudice to any claim, action or demand any other Indemnified Party may have or make against the Company hereunder or otherwise under the Underwriting Agreement.

Commission and expenses

The Underwriter will receive an underwriting commission of an amount equal to 2.0% of the aggregate Offer Price payable for the Offer Shares, out of which they will, as the case may be, pay any sub-underwriting commissions and selling concession.

Based on the Offer Price of HK\$0.52 per Share, the underwriting commission in connection with the Public Offer is HK\$2.5 million in aggregate and will be payable by the Company. The aggregate fees, together with the Stock Exchange listing fee, the placing and underwriting commission in relation to the New Placing and the Public Offer, SFC transaction levy, legal and other professional fees, and printing and other expenses relating to the transactions under the Proposed Restructuring are estimated to be approximately HK\$52.3 million in aggregate and are payable by the Company.

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Underwriter's interest in the Company

Save and except that the Underwriter and its ultimate beneficial owner(s) are the associates of Allied Group and save as securities trading and dealing business of the Underwriter, which may involve trading and dealing in the securities of the Company, and as contemplated pursuant to the Underwriting Agreement, the Underwriter is not interested in any shares in any member of the Enlarged Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any securities in any member of the Enlarged Group.

SPONSOR'S INDEPENDENCE

The Sponsor is independent from the Company pursuant to Rule 3A.07 of the Listing Rules. Neither the Sponsor nor its close associates expect to have accrued any material benefit as a result of the successful listing of the Shares, other than the following: (i) the respective advisory and documentation fees to be paid to the Sponsor; and (ii) certain close associates of the Sponsor, whose ordinary business involve the trading and dealing in securities, may be involved in the trading and dealing in the securities of the Company.

Save for the interest of the Sponsor and its close associates in the Company set out above, the Sponsor has no shareholding in any member of the Enlarged Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

MINIMUM PUBLIC FLOAT

The Company and the Proposed Directors will ensure that a minimum of 25% of the total issued Shares will be held by the public after the completion of the Public Offer.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

THE PUBLIC OFFER

241,705,083 Offer Shares (including 150,264,780 Reserved Shares under the Preferential Offering (subject to reallocation)) are being offered for subscription by members of the public in Hong Kong under the Public Offer, representing approximately 21.3% of the total number of New Shares upon completion of the YM Subscription, the New Placing and the Public Offer. The Public Offer is fully underwritten by the Underwriter (subject to satisfaction or waiver of conditions provided in the Underwriting Agreement). Applicants for the Offer Shares are required on application to pay the Offer Price of HK\$0.52 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

The Public Offer (other than the Preferential Offering) is open to all members of the public in Hong Kong as well as to institutional and professional investors. Multiple applications or suspected multiple applications (other than an application (if any) made on a **BLUE** Application Form in your capacity as a Qualifying Shareholder) and any application made under **WHITE** or **YELLOW** Application Form for more than 50% of the Shares initially comprised in the Public Offer (other than the Reserved Shares, i.e. 45,720,000 Offer Shares) are liable to be rejected.

Allocation (other than the Reserved Shares)

Allocation of the Offer Shares (other than the Reserved Shares) to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is oversubscription under the Public Offer, allocation of the Offer Shares may involve balloting, which would mean that some applicants may be allotted more Offer Shares than others who have applied for the same number of the Offer Shares, and those applicants who are not successful in the ballot may not receive any Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Public Offer (other than the Reserved Shares) will be divided into two pools: pool A and pool B with any odd board lot allocated to pool A. The Offer Shares in pool A will be allocated on an equitable basis to applicants under **WHITE** or **YELLOW** Application Forms, who have applied for Offer Shares with an aggregate price of HK\$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants under **WHITE** or **YELLOW** Application Forms, who have applied for Offer Shares with an aggregate price of more than HK\$5.0 million (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications (other than an application (if any) made on a **BLUE**

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

Application Form in your capacity as a Qualifying Shareholder) under the Public Offer and any application made under **WHITE** or **YELLOW** Application Form for more than 45,720,000 Offer Shares are liable to be rejected.

Applicants for Public Offer using a **WHITE** or **YELLOW** Application Form should note that in the event (i) of an over-subscription of Offer Shares, and/or (ii) that you apply for the maximum number of Offer Shares permitted under the **WHITE** or **YELLOW** Application Form, allocation of the Offer Shares may not represent a multiple of a full board lot of 5,000 New Shares. There is no guarantee that your resultant aggregate holding of New Shares will form an integral multiple of 5,000 New Shares. Dealings in odd lots of New Shares may be at a price below their prevailing market price for full board lots.

Reallocation

The allocation of the Offer Shares between the Preferential Offering and the Public Offer (excluding the Preferential Offering) is subject to reallocation on the following basis:

- (1) Where the Reserved Shares are fully subscribed or over-subscribed, regardless of whether the Offer Shares under the Public Offer (excluding the Preferential Offering) are under-subscribed or fully subscribed or over-subscribed, no Offer Shares under the Public Offer (excluding the Preferential Offering) will be reallocated to the Preferential Offering.
- (2) Where the Reserved Shares are under-subscribed:
 - (a) if the Offer Shares under the Public Offer (excluding the Preferential Offering) are under-subscribed or fully subscribed, there will be no reallocation and the under-subscribed Offer Shares will be underwritten by the Underwriter in accordance with the terms and conditions of the Underwriting Agreement; and
 - (b) if the Offer Shares under the Public Offer (excluding the Preferential Offering) are over-subscribed, then the Untaken Reserved Shares after satisfying excess applications for the Reserved Shares will be reallocated to the Public Offer (excluding the Preferential Offering) from the Preferential Offering. If there are still Untaken Reserved Shares after such reallocation, the Untaken Reserved Shares will then be underwritten by the Underwriter.

THE PREFERENTIAL OFFERING

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

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

effective) held by the Qualifying Shareholders on the Record Date. For clarification purpose, Qualifying Shareholders whose Shares held by them are not an integral multiple of twenty, any odd number of the Share held by them will not be entitled to the Assured Entitlement. 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 but are 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 Untaken Reserved Shares as described below.

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.

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 his/her/its 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, while 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 as described below.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

Basis of allocations for excess Reserved Shares

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.

There is no guarantee that the above allocation will result in any or all excess applications for Reserved Shares to be satisfied.

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 Entitlements of Qualifying Shareholders to Reserved Shares are not transferable and there will be no trading in nil-paid entitlements on the Stock Exchange. Reserved Shares not taken up by the Qualifying Shareholders may be reallocated to the Public Offer.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

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.

For the avoidance of doubt, the Subscribers and the Independent Placees are not Qualifying Shareholders and will not be entitled to the Assured Entitlement. The Proposed Directors (including Mr. Warren Lee) and their associates, the Yu Ming Team and their associates and 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.

Overseas 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

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

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 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 procedure

A **BLUE** Application Form is being despatched to each Qualifying Shareholder with an Assured Entitlement together with a copy of this prospectus. Qualifying Shareholders are permitted to apply for a number of Reserved Shares which is greater than, less than or equal to, their Assured Entitlement under the Preferential Offering.

If an application is made for a number of Reserved Shares greater than or less than the Assured Entitlement of a Qualifying Shareholder, the applicant must apply for a number in one of the multiples of full board lots stated in the table of multiples and payments of the **BLUE** Application Form which also states the amount of remittance payable on application for each multiple of full board lots of Reserved Shares. If such applicant apply for such number of Reserved Shares equal to their Assured Entitlement, the amount of remittance payable on application for the number of Reserved Shares applied for is set out in Box B of the **BLUE** Application Form. Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Reserved Share will be allotted to such applicant.

The procedures for application under, and the terms and conditions of, the Preferential Offering are set out in the section headed “How to apply for Offer Shares and Reserved Shares” of this prospectus and on the **BLUE** Application Form.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

PRICE PAYABLE ON APPLICATION

The Offer Price is HK\$0.52 per Offer Share. Applicants are required to pay, on application, Offer Price of HK\$0.52 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$2,626.20 for each board lot of 5,000 Offer Shares. Further details are set out in the section headed “How to apply for Offer Shares and Reserved Shares” in this prospectus.

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.

CONDITIONS OF THE PUBLIC OFFER

The obligations of the Underwriter under the Underwriting Agreement are conditional upon the following conditions being fulfilled:

- (i) the Listing Committee granting (subject only to allotment) and not having withdrawn or revoked its approval for the listing of and permission to deal in the New Shares by no later than close of business on that day prior to the first day of their dealings on the Stock Exchange;
- (ii) the necessary resolution(s) having been passed by the Shareholders (as to the Capital Reorganisation) or the Independent Shareholders (as to the Acquisition, the YM Subscription, the New Placing, the Public Offer and the Creditors’ Scheme and the Special Deal) at the EGM to be convened and held to approve (i) the Underwriting Agreement and the transactions contemplated thereunder; (ii) the Capital Reorganisation; (iii) the YM Subscriptions and allotment and issue of the YM Subscription Shares; (iv) the New Placing and the allotment and issue of the New Placing Shares; (v) the Public Offer and the allotment and issue of the Offer Shares; and (vi) the Creditors’ Scheme;
- (iii) the Listing Division of the Stock Exchange having approved in principle of the Resumption;
- (iv) if applicable, the IPO Transactions Department of the Listing Division of the Stock Exchange and the SFC having approved the reverse takeovers contemplated under the Acquisition Agreement;
- (v) the meetings of the Creditors having approved the Creditors’ Scheme;
- (vi) the final sanction from the High Court on the Creditors’ Scheme having been obtained (to the extent necessary);

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

- (vii) the final sanction from the Grand Court on the Creditors' Scheme having been obtained (to the extent necessary);
- (viii) all of the conditions precedent to the Acquisition Agreement having been fulfilled (save for the condition for the Underwriting Agreement having becoming unconditional) or as applicable, waived;
- (ix) all of the conditions precedent to the YM Subscription Agreement having been fulfilled (save for any conditions requiring the Underwriting Agreement having becoming unconditional) or as applicable, waived;
- (x) if applicable, all of the conditions precedent to the New Placing Agreement having been fulfilled (save for any conditions requiring the Underwriting Agreement having becoming unconditional) or as applicable, waived;
- (xi) the Capital Reorganisation having become effective;
- (xii) the obtaining of either conditional approval or approval in-principle from the Licensing Department of the SFC in relation to the change of substantial shareholder (as defined in the SFO) of Yu Ming to the Company and such approval not having been revoked, cancelled or lapsed;
- (xiii) the solicitor to the Underwriter receiving from the Company, in form and substance satisfactory to the Underwriter, certain relevant conditions precedent documents not later than 7:00 p.m. (Hong Kong time) on the date of the Underwriting Agreement and all other relevant conditions precedent documents not later than 7:00 p.m. (Hong Kong time) on the Business Day immediately preceding the Resumption Date as the case maybe, in accordance with the terms of the Underwriting Agreement;
- (xiv) all warranties in the Underwriting Agreement being true, correct and not misleading in the opinion of the Underwriter (acting reasonably) at and as of (a) the date of registration of this prospectus by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance; (b) the date of this prospectus; (c) at the time of the closing of the application lists of the Public Offer; (d) the date on which all the conditions precedents to the Underwriting Agreement are fulfilled or waived in accordance therewith; (e) immediately before 4:00 p.m. (Hong Kong time) on the date of announcement of the results of the Public Offer and the Preferential Offering and (f) at 8:00 a.m. on the Resumption Date;
- (xv) compliance with and performance of all undertakings and obligations in relation to the making of the Public Offer and the allotment and issue of the Offer Shares under the Underwriting Agreement on or before 8:00 a.m. on the Resumption Date;

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

- (xvi) the issue by the Stock Exchange of a certificate of authorisation of registration in respect of this prospectus and the registration by the Registrar of Companies in Hong Kong of one copy of each of this prospectus and the Application Forms (duly certified by the Liquidators and having attached thereto all necessary consents and documents required by section 342C (subject to any certificate of exemption granted pursuant to section 342A) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) not later than 5:00 p.m. on the date of the Underwriting Agreement;
- (xvii) the grant or agreement to grant by the Listing Division of the listing of and permission to deal in the New Shares on the Stock Exchange having occurred and becoming effective (either unconditionally or subject only to allotment and issue of the Offer Shares, despatch or availability for collection of share certificates in respect of the Offer Shares and/or such other conditions as may be acceptable to the Underwriter on or before the Resumption Date (or such later date as the Underwriter may agree with the Company in writing)) and such grant or agreement not subsequently having been withdrawn, revoked, withheld or subject to qualifications prior to 8:00 a.m. (Hong Kong time) on the Resumption Date;
- (xviii) there are not less than 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 subscribers procured by the Underwriter or its sub-underwriters but excluding the Qualifying Shareholders);
- (xix) all requirements imposed by the SFC and/or the Stock Exchange in relation to the Public Offer having been fulfilled;
- (xx) approval from the equity commitments committee required to be obtained on the part of the Underwriter in respect of the Underwriter Agreement and the transactions contemplated thereunder having been obtained and remaining in full force and effect; and
- (xxi) the Underwriter not having terminated the Underwriting Agreement in accordance with its terms.

Save and except the conditions in clause (ix), (x), (xiii) and (xiv) which may be waived by the Underwriter (to the extent such condition is waivable), all the above conditions are not waivable. If any of the conditions of the Public Offer is not satisfied (or waived where applicable) in whole or in part by the Underwriter 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, the Underwriting Agreement shall terminate and the obligations of the parties shall forthwith cease and be null and void and none of the parties shall, save in respect of any right or liability accrued before such termination, have any right against or liability towards any of the other parties arising out of or in connection with the Underwriting Agreement.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

As at the Latest Practicable Date, condition (ii) (following the Chairman's Decision) has been fulfilled.

SPECIFIC EVENT FOR TERMINATION OF THE PUBLIC OFFER

There are certain specific events following while the Company will withdraw the Public Offer (including the Preferential Offering), details of which are set out in the section headed "Specific Risk Associated with the Proposed Restructuring" of this prospectus.

PUBLICATION OF RESULTS

The Company expects to announce the level of indication of interests in the Public Offer and the Preferential Offering on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.irasia.com/listco/hk/chinaagrotech on Thursday, 25 July 2019.

UNDERWRITING

The Public Offer is fully underwritten by the Underwriter under and subject to the terms and conditions of the Underwriting Agreement. Details of the Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

APPLICATION FOR LISTING

The Company has applied to the Listing Committee for the listing of, and permission to deal in, the Offer Shares under the New Listing Application. 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.

Subject to the fulfillment of the conditions of the Public Offer as set out under the sub-section headed "Conditions of the Public Offer" above, it is expected that share certificates for all fully-paid Offer Shares shall be issued on Thursday, 25 July 2019.

Resumption on dealings of the New Shares in issue and dealings in the Offer Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Friday, 26 July 2019. The New Shares will be traded in board lots of 5,000 New Shares each.

STRUCTURE AND CONDITIONS OF THE PUBLIC OFFER AND THE PREFERENTIAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the New Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the Company complies with the stock admission requirements of HKSCC, the New Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the New Shares on the Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the New Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

In respect of the dealings in the New Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

1. HOW TO APPLY

To apply for Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; and
- if you are a Qualifying Shareholder, also make an application for the Reserved Shares pursuant to the Preferential Offering by using a **BLUE** Application Form.

None of you or your joint applicant(s) may make more than one application, except:

- (i) where you are a nominee and provide the required information in your application; and
- (ii) if you are a Qualifying Shareholder, you may also apply for Reserved Shares by using a **BLUE** Application Form.

The Company, the Underwriter and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for the Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the US Securities Act of 1933, as amended); and
- are not a legal or natural person of the PRC.

You can also or alternatively apply for Reserved Shares on a **BLUE** Application Form if you are also a Qualifying Shareholder.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Underwriter may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

Unless permitted by the Listing Rules, you cannot apply for any Offer Shares (except in respect of Reserved Shares applied for under the Preferential Offering), if you:

- are a Proposed Director or director or chief executive of the Company and/or any of its subsidiaries;
- are a core connected person (as defined in the Listing Rules) of the Company or will become a core connected person of the Company immediately upon completion of the Public Offer; or
- are a close associate (as defined in the Listing Rules) of any of the above.

You cannot apply for any Offer Shares (except in respect of Reserved Shares applied for under the Preferential Offering), if you:

- are not a PO Independent Third Party; or
- have been allocated or have applied for or indicated an interest in any New Placing Shares or otherwise participated in the New Placing.

3. APPLYING FOR OFFER SHARES

Which Application Channel to Use

For Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form to cause HKSCC Nominees to apply for you.

Application under **WHITE** or **YELLOW** Application Form must be in one of the numbers set out in the table in such Application Form, or your application will be rejected.

If you are a Qualifying Shareholder applying for the Reserved Shares under the Preferential Offering, use a **BLUE** Application Form, under which you may apply for a number of Reserved Shares for less than, equal to or more than your Assured Entitlement and up to a maximum of 150,264,780 Reserved Shares (except HKSCC Nominees). However, if your application is for a number of Reserved Shares less than or more than your Assured Entitlement, your application must be in one of the numbers set out in the table in the **BLUE** Application Form, or your application will be rejected.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during the normal business hours from 9:00 a.m. on Friday, 28 June 2019 until 12:00 noon on Friday, 19 July 2019 at:

1. The office of the Underwriter:

Sun Hung Kai Investment Services Limited

42nd Floor,
Lee Garden One,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

2. Any one of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch	Address
Hong Kong Island	Wanchai Branch	117-123 Hennessy Road, Wanchai, Hong Kong
Kowloon	Lai Chi Kok Branch	Shop G06, G/F, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon
New Territories	Yan Ching Street Branch	Shops 4 and 5, G/F, Tuen Mun Centre, 11 Yan Ching Street, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during the normal business hours from 9:00 a.m. on Friday, 28 June 2019 until 12:00 noon on Friday, 19 July 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

BLUE Application Forms have been despatched to all Qualifying Shareholders. In addition, a copy of this prospectus has been posted to the Qualifying Shareholders at their address recorded on the register of members of the Company on the Record Date.

Qualifying Shareholders may also obtain a printed copy of this prospectus, free of charge, during normal business hours from 9:00 a.m. on Friday, 28 June 2019 until 12:00 noon on Friday, 19 July 2019 from any of the designated branches of the receiving bank and at the office of the Underwriter as stated above.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

Qualifying Shareholders who require a replacement **BLUE** Application Form should contact Hong Kong Registrars Limited, at 17Mth Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or on its hotline 2862 8555.

Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – Da Yu Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Friday, 28 June 2019	– 9:00 a.m. to 5:00 p.m.
Saturday, 29 June 2019	– 9:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019	– 9:00 a.m. to 5:00 p.m.
Wednesday, 3 July 2019	– 9:00 a.m. to 5:00 p.m.
Thursday, 4 July 2019	– 9:00 a.m. to 5:00 p.m.
Friday, 5 July 2019	– 9:00 a.m. to 5:00 p.m.
Saturday, 6 July 2019	– 9:00 a.m. to 1:00 p.m.
Monday, 8 July 2019	– 9:00 a.m. to 5:00 p.m.
Tuesday, 9 July 2019	– 9:00 a.m. to 5:00 p.m.
Wednesday, 10 July 2019	– 9:00 a.m. to 5:00 p.m.
Thursday, 11 July 2019	– 9:00 a.m. to 5:00 p.m.
Friday, 12 July 2019	– 9:00 a.m. to 5:00 p.m.
Saturday, 13 July 2019	– 9:00 a.m. to 1:00 p.m.
Monday, 15 July 2019	– 9:00 a.m. to 5:00 p.m.
Tuesday, 16 July 2019	– 9:00 a.m. to 5:00 p.m.
Wednesday, 17 July 2019	– 9:00 a.m. to 5:00 p.m.
Thursday, 18 July 2019	– 9:00 a.m. to 5:00 p.m.
Friday, 19 July 2019	– 9:00 a.m. to 12:00 noon

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

Your completed **BLUE** Application Form, together with a cheque or a banker's cashier order for application under Assured Entitlement and a separate cheque or banker's cashier order for excess application attached and marked payable to "ICBC (Asia) Nominee Limited – Da Yu Preferential Offering" for the payment must be deposited in the special collection boxes located at any of the branches of the receiving bank listed above at the following times:

Friday, 28 June 2019	–	9:00 a.m. to 5:00 p.m.
Saturday, 29 June 2019	–	9:00 a.m. to 1:00 p.m.
Tuesday, 2 July 2019	–	9:00 a.m. to 5:00 p.m.
Wednesday, 3 July 2019	–	9:00 a.m. to 5:00 p.m.
Thursday, 4 July 2019	–	9:00 a.m. to 5:00 p.m.
Friday, 5 July 2019	–	9:00 a.m. to 5:00 p.m.
Saturday, 6 July 2019	–	9:00 a.m. to 1:00 p.m.
Monday, 8 July 2019	–	9:00 a.m. to 5:00 p.m.
Tuesday, 9 July 2019	–	9:00 a.m. to 5:00 p.m.
Wednesday, 10 July 2019	–	9:00 a.m. to 5:00 p.m.
Thursday, 11 July 2019	–	9:00 a.m. to 5:00 p.m.
Friday, 12 July 2019	–	9:00 a.m. to 5:00 p.m.
Saturday, 13 July 2019	–	9:00 a.m. to 1:00 p.m.
Monday, 15 July 2019	–	9:00 a.m. to 5:00 p.m.
Tuesday, 16 July 2019	–	9:00 a.m. to 5:00 p.m.
Wednesday, 17 July 2019	–	9:00 a.m. to 5:00 p.m.
Thursday, 18 July 2019	–	9:00 a.m. to 5:00 p.m.
Friday, 19 July 2019	–	9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 19 July 2019, the last application day or such later time as described in the sub-section headed "7. Effect of bad weather on the opening of the application lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise the Company and/or the Underwriter (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Public Offer in this prospectus;
- (vi) agree that none of the Company, the Underwriter, the Sponsor, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Public Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) except for Qualifying Shareholders applying under **BLUE** Application Form, declare, undertake and confirm that you or the person(s) for whose benefit you have made the application (i) are a PO Independent Third Party; and (ii) have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any New Placing Shares under the New Placing nor participated in the New Placing;
- (viii) agree to disclose to the Company, the Hong Kong Branch Share Registrar, the receiving bank, the Sponsor, the Underwriter and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sponsor and the Underwriter nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

- (xiv) agree to accept the Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that, except for an application under a **BLUE** Application Form where you are a Qualifying Shareholder, there is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Underwriter will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that, except where you are a Qualifying Shareholder applying through completing and submitting a **BLUE** Application Form, no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form; and (ii) you have due authority to sign the Application Form on behalf of that other person as their agent.

Additional Instructions for YELLOW and BLUE Application Forms

You may refer to the **YELLOW** Application Form and the **BLUE** Application Form for details.

5. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Offer Shares are not allowed except by nominees or, if you are a Qualifying Shareholder, as stated below.

If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

If you are a Qualifying Shareholder, you may also make an application for the Reserved Shares by using the **BLUE** Application Form. Only one application for the Reserved Shares is permitted per Qualifying Shareholder under the Preferential Offering. Multiple applications under **BLUE** Application Form by any Qualifying Shareholder are liable to be rejected.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form is made for your benefit. If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

6. HOW MUCH ARE THE OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the number of Offer Shares that may be applied for. The **BLUE** Application Form also has a box showing the number of Reserved Shares in the Assured Entitlement of the Qualifying Shareholder and the amount payable if the Assured Entitlement is taken up in full, as well as a table showing the exact amount payable for the number of Reserved shares applied for which is a multiple of full board lot of New Shares.

You must pay the Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Offer Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Public Offer and Preferential Offering” in this prospectus.

7. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 19 July 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on 19 July 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

8. PUBLICATION OF RESULTS

The Company expects to announce the level of applications in the Public Offer and the Preferential Offering and the basis of allocation of the Offer Shares and the Reserved Shares on Thursday, 25 July 2019 on the Company’s website at www.irasia.com/listco/hk/chinaagrotech and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.irasia.com/listco/hk/chinaagrotech and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 25 July 2019;
- from the designated results of allocations website at www.iporeresults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID Number/Passport Number/Business Registration Number” function on a 24-hour basis from 8:00 a.m. on Thursday 25 July 2019 to 12:00 midnight on Wednesday, 31 July 2019;

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 25 July 2019 to Sunday, 28 July 2019;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 25 July 2019 to Saturday, 27 July 2019 at all the receiving bank branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Offer Shares if the conditions of the Public Offer are satisfied and the Public Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Public Offer and Preferential Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

9. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES AND/OR RESERVED SHARES

You should note the following situations in which the Offer Shares and/or Reserved Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form, you agree that your application cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

If your application has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Underwriter and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Offer Shares is void:

The allotment of Offer Shares will be void if the Listing Committee does not grant permission to list the New Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications under **WHITE** and/or **YELLOW** Application Forms, and/or where you are a Qualifying Shareholder, you make multiple applications or suspected multiple applications under **BLUE** Application Forms;
- you or the person for whose benefit you are applying (except for Qualifying Shareholders) have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) New Placing Shares or participate in the New Placing;
- (except for Qualifying Shareholders) you are not a PO Independent Third Party;
- your Application Form is not completed in accordance with the stated instructions;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreement does not become unconditional or is terminated;

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

- the Company or the Underwriter believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application under **WHITE** or **YELLOW** Application Form is for more than 50% of the Offer Shares (excluding the Reserved Shares) initially offered under the Public Offer (excluding the Preferential Offering).

10. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Public Offer set out in the section headed “Structure and Conditions of the Public Offer and Preferential Offering – Conditions of the Public Offer” in this prospectus are not fulfilled or if the Public Offer is otherwise terminated or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest, or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 25 July 2019 or such other date as the Company may announce.

11. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms where the share certificates will be deposited into CCASS as described below) and one share certificate for all Reserved Shares allocated to you under the Preferential Offering.

No temporary document of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** and/or **BLUE** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Offer Shares, wholly or partially unsuccessfully applied for.

Part of the applicant’s Hong Kong identity card number/passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, 25 July 2019 or such other date as the Company may announce. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 26 July 2019 provided that the Public Offer has become unconditional and has not otherwise been terminated. Investors who trade New Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE and/or BLUE Application Form

If you apply for 1,000,000 or more Offer Shares and/or 1,000,000 or more Reserved Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Hong Kong Registrars Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, between 9:00 a.m. to 1:00 p.m. on Thursday, 25 July 2019 or such other date as notified by us on the websites of the Company at www.irasia.com/listco/hk/chinaagrotech and the Stock Exchange at www.hkexnews.hk.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, evidence of identity and (where applicable) authorisation documents acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Offer Shares and/or less than 1,000,000 Reserved Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 25 July 2019 or such other date as the Company may announce, by ordinary post and at your own risk.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 25 July 2019 or such other date as the Company may announce, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 25 July 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Offer Shares allotted to you with that CCASS participant.

- *If you apply as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 25 July 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

12. ADMISSION OF THE NEW SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and we comply with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

HOW TO APPLY FOR OFFER SHARES AND RESERVED SHARES

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the New Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-2, received from Yu Ming's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YU MING INVESTMENT MANAGEMENT LIMITED AND EMPEROR CAPITAL LIMITED

Introduction

We report on the historical financial information of Yu Ming Investment Management Limited ("Yu Ming") set out on pages I-3 to I-46, which comprises the statements of financial position as at 31 December 2016, 2017 and 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the years then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together the "Historical Financial Information"). The Historical Financial Information set out on pages I-3 to I-46 forms an integral part of this report, which has been prepared for inclusion in the prospectus of China Agrotech Holdings Limited (In Liquidation) (to be renamed as Da Yu Financial Holdings Limited) dated 28 June 2019 (the "Prospectus") in connection with the proposed acquisition of 100% equity interests in Yu Ming.

Directors' responsibility for the Historical Financial Information

The directors of Yu Ming are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of Yu Ming as at 31 December 2016, 2017 and 2018 and of Yu Ming's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

Dividends

We refer to Note 13 to the Historical Financial Information which contains information about the dividends paid by Yu Ming in respect of the Track Record Period.

BDO Limited

Certified Public Accountants

Cheung Or Ping

Practising Certificate no. P05412

Hong Kong
28 June 2019

I. HISTORICAL FINANCIAL INFORMATION OF YU MING

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of Yu Ming for the Track Record Period, on which the Historical Financial Information is based, were audited by BDO Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	6	60,048	73,515	59,577
Other net (loss)/income	6	(544)	886	521
Other net financial income	8	8,404	7,534	2,642
Employee benefit expense	11	(23,148)	(27,909)	(15,759)
Operating lease expense		(959)	(1,068)	(1,102)
Other operating expense		(2,208)	(3,700)	(3,256)
Loss allowance for expected credit losses on financial assets at fair value through other comprehensive income		(773)	—	—
Profit before income tax	9	40,820	49,258	42,623
Income tax expense	10	(5,692)	(7,571)	(6,525)
Profit for the year		35,128	41,687	36,098
Other comprehensive (expense)/income				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Reclassification adjustment for the realisation upon redemption of financial assets at fair value through other comprehensive income		(413)	822	60
Change in fair value of financial assets at fair value through other comprehensive income offset by loss allowance for expected credit losses		(877)	(42)	(701)
Other comprehensive (expense)/income for the year, net of tax		(1,290)	780	(641)
Total comprehensive income for the year		33,838	42,467	35,457

STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	14	97	54	76
Financial assets at fair value through other comprehensive income	15	102,170	16,925	16,263
Other assets	16	50	50	50
Trade and other receivables and deposits paid	17	–	5	–
		<u>102,317</u>	<u>17,034</u>	<u>16,389</u>
Current assets				
Financial assets at fair value through other comprehensive income	15	–	8,461	–
Trade and other receivables and deposits paid	17	2,439	2,936	5,294
Financial assets at fair value through profit or loss	18	1,028	755	377
Amount due from a fellow subsidiary	19	5,393	7,462	4,575
Taxation recoverable		–	1,941	2,178
Cash and cash equivalents	20	<u>148,982</u>	<u>257,746</u>	<u>82,937</u>
		<u>157,842</u>	<u>279,301</u>	<u>95,361</u>
Current liabilities				
Contract liabilities	21	13,045	24,909	16,456
Other payables and accrued expenses		15,889	19,962	8,315
Amount due to a holding company	22	295	335	393
Taxation payable		<u>2,268</u>	<u>–</u>	<u>–</u>
		<u>31,497</u>	<u>45,206</u>	<u>25,164</u>
Net current assets		<u>126,345</u>	<u>234,095</u>	<u>70,197</u>
Total assets less current liabilities		<u>228,662</u>	<u>251,129</u>	<u>86,586</u>
Net assets		<u>228,662</u>	<u>251,129</u>	<u>86,586</u>
EQUITY				
Share capital	23	10,000	10,000	10,000
Reserves	24	<u>218,662</u>	<u>241,129</u>	<u>76,586</u>
Total equity		<u>228,662</u>	<u>251,129</u>	<u>86,586</u>

STATEMENTS OF CHANGES IN EQUITY

	Share capital (Note 23) HK\$'000	Investment revaluation reserve (Note 24) HK\$'000	Retained earnings (Note 24) HK\$'000	Total HK\$'000
At 1 January 2016	10,000	1,201	183,623	194,824
Profit for the year	–	–	35,128	35,128
Other comprehensive expenses for the year:				
– Reclassification adjustment for the realisation upon redemption of financial assets at fair value through other comprehensive income	–	(413)	–	(413)
– Change in fair value of financial assets at fair value through other comprehensive income offset by loss allowance for expected credit losses	–	(877)	–	(877)
Total comprehensive (expenses)/income for the year	–	(1,290)	35,128	33,838
At 31 December 2016	<u>10,000</u>	<u>(89)[#]</u>	<u>218,751[#]</u>	<u>228,662</u>
At 1 January 2017	10,000	(89)	218,751	228,662
Profit for the year	–	–	41,687	41,687
Other comprehensive income/(expenses) for the year:				
– Reclassification adjustment for the realisation upon redemption of financial assets at fair value through other comprehensive income	–	822	–	822
– Change in fair value of financial assets at fair value through other comprehensive income	–	(42)	–	(42)
Total comprehensive income for the year	–	780	41,687	42,467
Dividend paid	–	–	(20,000)	(20,000)
At 31 December 2017	<u>10,000</u>	<u>691[#]</u>	<u>240,438[#]</u>	<u>251,129</u>

	Share capital <i>(Note 23)</i> <i>HK\$'000</i>	Investment revaluation reserve <i>(Note 24)</i> <i>HK\$'000</i>	Retained earnings <i>(Note 24)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2018	10,000	691	240,438	251,129
Profit for the year	–	–	36,098	36,098
Other comprehensive income/(expenses) for the year:				
– Reclassification adjustment for the realisation upon redemption of financial assets at fair value through other comprehensive income	–	60	–	60
– Change in fair value of financial assets at fair value through other comprehensive income	–	(701)	–	(701)
Total comprehensive (expenses)/income for the year	–	(641)	36,098	35,457
Dividend paid	–	–	(200,000)	(200,000)
At 31 December 2018	<u>10,000</u>	<u>50[#]</u>	<u>76,536[#]</u>	<u>86,586</u>

[#] The aggregate amount of those balances of HK\$218,662,000, HK\$241,129,000 and HK\$76,586,000 represents the reserves in the statements of financial position of Yu Ming as at 31 December 2016, 2017 and 2018 respectively.

STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Cash flows from operating activities				
Profit before income tax		40,820	49,258	42,623
Adjustments for:				
Depreciation of property, plant and equipment	9	60	66	33
Interest income from financial assets at fair value through other comprehensive income	8	(5,914)	(5,556)	(1,237)
Interest income from bank deposits	8	(178)	(583)	(1,783)
Realised gain on redemption of financial assets at fair value through other comprehensive income	8	(3,577)	(1,623)	–
Fair value loss on financial assets at fair value through profit or loss	8	2,143	273	378
Dividend income	8	(878)	–	–
Exchange loss/(gain)		511	(738)	(312)
Loss allowance for expected credit losses on financial assets at fair value through other comprehensive income		773	–	–
Operating profit before working capital changes		33,760	41,097	39,702
Increase in trade and other receivables and deposits paid		(673)	(502)	(2,353)
Change in financial assets at fair value through profit or loss		37,059	–	–
Change in balances with a fellow subsidiary		(302)	(2,069)	2,887
Increase/(decrease) in contract liabilities		8,945	11,864	(8,453)
Increase/(decrease) in other payables and accrued expenses		6,882	4,073	(11,647)
Increase in amount due to a holding company		92	40	58
Cash generated from operations		85,763	54,503	20,194
Bank interest received		178	583	1,783
Dividend received		878	–	–
Hong Kong profits tax paid		(3,294)	(11,780)	(6,762)
Net cash generated from operating activities		83,525	43,306	15,215

	<i>Notes</i>	Year ended 31 December		
		2016	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from investing activities				
Proceeds from redemption financial assets at fair value through other comprehensive income		77,576	78,090	8,675
Purchase of financial assets at fair value through other comprehensive income		(77,570)	–	–
Purchase of property, plant and equipment	14	(64)	(23)	(55)
Interest received from financial assets at fair value through other comprehensive income		<u>7,970</u>	<u>7,391</u>	<u>1,356</u>
Net cash generated from investing activities		<u>7,912</u>	<u>85,458</u>	<u>9,976</u>
Cash flows from financing activities				
Dividend paid		<u>–</u>	<u>(20,000)</u>	<u>(200,000)</u>
Net cash used in financing activities		<u>–</u>	<u>(20,000)</u>	<u>(200,000)</u>
Net increase/(decrease) in cash and cash equivalents		91,437	108,764	(174,809)
Cash and cash equivalents at 1 January		<u>57,545</u>	<u>148,982</u>	<u>257,746</u>
Cash and cash equivalents at 31 December	20	<u><u>148,982</u></u>	<u><u>257,746</u></u>	<u><u>82,937</u></u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

Yu Ming is a limited liability company incorporated and domiciled in Hong Kong. The address of Yu Ming's registered office and principal place of business of Yu Ming is Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

Yu Ming is a registered licensed corporation under the Hong Kong Securities and Futures Ordinance and its principal business activities are dealing in securities, advising on securities, advising on corporate finance and asset management. During the Track Record Period, Yu Ming is a licensed corporation under the Hong Kong Securities and Futures Ordinance for Type 1, 4, 6 and 9 regulated activities.

During the Track Record Period, the parent of Yu Ming is Fine Era Limited, which is incorporated in the British Virgin Islands and the ultimate holding company of Yu Ming is Allied Group Limited ("AGL"), a listed public limited company, which is incorporated in Hong Kong. The ultimate controlling party of Yu Ming is the trustees of Lee and Lee Trust. The address of the principal place of business of the trustees of Lee and Lee Trust is 24th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

The statutory financial statements of Yu Ming for the years ended 31 December 2016, 2017 and 2018 were audited by BDO Limited, Certified Public Accountants.

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") which is same as the functional currency of Yu Ming.

2. BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with accounting policies set out in Note 4 below, which confirms to HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting periods commencing from 1 January 2018 together with the relevant transitional provisions, including HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" and the related Amendments, have been adopted by Yu Ming in the preparation of the Historical Financial Information throughout the Track Record Period. The Historical Financial Information also complies with the applicable disclosure provisions of the Listing Rules.

The significant accounting policies that have been used in the preparation of these financial statements are summarised in Note 4. These policies have been consistently applied to the Track Record Period unless otherwise stated.

The financial statements have been prepared on the historical cost basis except for financial instruments classified as at fair value through other comprehensive income and at fair value through profit or loss which are stated at fair values. The measurement bases are fully described in the accounting policies below in Note 4.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are described in Note 5.

The Historical Financial Information is presented in HK\$ and all values are rounded to the nearest thousand ("HK\$'000") except when otherwise indicated.

3. NEW/REVISED HKFRSs THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The following new/revised HKFRSs have been issued, but are not yet effective and have not been early adopted by Yu Ming.

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contract ³
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments ¹
Annual Improvements to 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 ¹
Amendments to HKFRS 3	Definition of Business ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ²
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ No mandatory effective date yet determined but is available for early adoption

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As at 31 December 2018, Yu Ming has non-cancellable operating lease commitments in respect of rental premise of approximately HK\$262,000 as disclosed in Note 25. Yu Ming does not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in a significant impact on Yu Ming’s results but it is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities.

Yu Ming intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information. Yu Ming intends to apply the practical expedient under this modified approach and not to reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Yu Ming also intends to adopt the practical expedient of not to apply the requirement of HKFRS 16 to short-term leases (i.e. where the lease term ends within 12 months of the date of initial application), in which case the rental fees would continue to be recognised on a systematic basis over the lease terms.

4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by Yu Ming in arriving at the Historical Financial Information set out in this report are set out below:

4.1 Foreign currency translation

The financial statements are presented in HK\$, which is also the functional currency of Yu Ming.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Yu Ming and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost over their estimated useful lives on a straight-line basis at the following rates per annum.

Furniture and fixtures	33.3%
Office equipment	33.3%
Leasehold improvements	20%-33.3%

The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4.3 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integrated part of the total rental expense, over the term of the lease.

4.4 Financial assets

Initial recognition and measurement

Financial assets are recognised when the entity becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date on which Yu Ming commits to purchase or sell the asset.

At initial recognition, Yu Ming measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset, such as fees and commissions. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income, which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value of financial assets differs from the transaction price on initial recognition, the entity recognises the difference as follows:

- (i) When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.
- (ii) In all other cases, the difference is deferred and the timing of recognition of deferred day one profit or loss is determined individually. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Classification and subsequent measurement

Yu Ming's financial assets include financial assets at fair value through other comprehensive income, trade receivables and other receivables and deposits paid, amount due from a fellow subsidiary, financial assets at fair value through profit or loss and cash and cash equivalents.

Yu Ming has applied HKFRS 9 and classifies its financial assets in the following measurement categories:

- (i) Fair value through profit or loss;
- (ii) Fair value through other comprehensive income; or
- (iii) Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- (i) Yu Ming's business model for managing the asset; and
- (ii) the cash flow characteristics of the asset.

Business model assessment:

The business model reflects how Yu Ming manages the assets in order to generate cash flows. That is, whether Yu Ming's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of other business model and measured at fair value through profit or loss. Factors considered by Yu Ming in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Solely payments of principal and interest on the principal amount outstanding test:

Yu Ming assesses the contractual terms of instruments to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Financial assets that are consistent with a basic lending arrangement are considered to meet the solely payments of principal and interest on the principal amount outstanding criterion. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest. It may also include consideration for other basic lending risks such as liquidity risks, costs associated with holding the financial assets for a period of time (e.g., servicing or administrative costs) and a profit margin.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest on the principal amount outstanding.

Based on these factors, Yu Ming classifies its debt instruments into one of the following two measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal amount outstanding, and that are not designated at fair value through profit or loss, are measured at amortised cost. The carrying amount of these assets is adjusted by any ECL allowance recognised and measured using the effective interest rate method.

Fair value through other comprehensive income: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest on the principal amount outstanding, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses or reversals, interest income and foreign exchange gains or losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is recycled from other comprehensive income to profit or loss.

Yu Ming reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Yu Ming subsequently measures all equity investments at fair value through profit or loss, except where Yu Ming's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. Yu Ming's policy is to designate equity investments as fair value through other comprehensive income when those investments are

held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses (and reversal of impairment losses) are not reported separately from other changes in fair value. Dividends, when represent a return on such investments, continue to be recognised in profit or loss as other income when Yu Ming's right to receive payments is established.

Gains and losses on equity investments at fair value through profit or loss are included in the fair value gain/loss on financial assets at fair value through profit or loss in the statements of profit or loss and other comprehensive income.

Impairment

Yu Ming applies a simplified approach to measure ECL on trade receivables; and a general approach to measure ECL on time deposits and other financial assets accounted for at amortised cost. Under the simplified approach, Yu Ming measures the loss based on lifetime ECL. Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, Yu Ming assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. Yu Ming considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Yu Ming assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors. Yu Ming assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to Yu Ming and all the cash flows that Yu Ming expects to receive. The amount of the loss is recognised using a provision for doubtful debts account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

4.5 Financial liabilities

Yu Ming's financial liabilities including other payables and accrued expenses, amount due to a holding company are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest rate method.

Financial liabilities are recognised when Yu Ming becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

4.6 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amount of cash, and are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of Yu Ming's cash management.

For the purpose of the statement of financial position and statement of financial position of Yu Ming, cash and cash equivalents comprise cash on hand and at banks and other financial institutions, including term deposits, which are not restricted as to use.

4.7 Share capital

Ordinary shares are classified as equity.

4.8 Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, Yu Ming uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customers
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Yu Ming recognises revenue when (or as) a performance obligation is satisfied, i.e. when "Control" of the services underlying the particular performance obligation is transferred to the customers.

Control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;
- Yu Ming's performance creates and enhances an asset that the customer controls as the Group performs; or
- Yu Ming's performance does not create an asset with an alternative use to Yu Ming and Yu Ming has an enforceable right to payment for performance completed to date.

If control of the services transfer over time, revenue is recognised over the period of the contract by reference to the progress complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services.

(a) Advisory fee income and related services

Advisory fee income from providing specified financial advisory and acting as independent financial adviser are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time Yu Ming has a present right to payment from the customers for the service performed.

Advisory fee income from provision of services under retainers is recognised over time based on contractual terms specified in the underlying agreements, as the customer simultaneously receives and consumes the benefits providing by the entity's performance as the entity performs and the revenue can be measured reliably.

Commission based and other services are recognised at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, as only that time Yu Ming has a present right to payment from the customers for the service performed.

(b) Management fee income

Management fee income from provision of investment management services is recognised over time based on contractual terms specified in the underlying investment management agreement, as the customer simultaneously receives and consumes the benefits providing by the entity's performance as the entity performs and the revenue can be measured reliably.

(c) Performance fee income

Performance fee income based on the performance of the investment company is a form of variable consideration in its contract with the customer to provide investment management services. Performance fee income is earned based on the performance of the investment company during the period, subject to the achievement of high water mark, in accordance with the respective terms set out in the investment management agreement. Performance fee income will not be recognised as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, or (b) the uncertainty associated with the variable consideration is subsequently resolved.

(d) Interest income

Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on the initial recognition.

4.9 Impairment of non-financial assets

Property, plant and equipment and investment in a subsidiary are subject to impairment testing.

It is tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit ("CGU")). As a result, some assets are tested individually for impairment and some are tested at CGU level.

Impairment losses recognised for CGUs are charged pro rata to the assets in CGU, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

4.10 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through a defined contribution plan.

Yu Ming operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance (the "MPF Scheme"), for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. Yu Ming's obligation under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4.11 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

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

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset is realised, provided they are enacted or substantively enacted at the reporting date.

Income taxes are recognised in profit or loss, except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) Yu Ming has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Yu Ming presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

4.12 Related parties

- (a) A person or a close member of that person's family is related to Yu Ming if that person:
 - (i) has control or joint control of Yu Ming;
 - (ii) has significant influence over Yu Ming; or
 - (iii) is a member of key management personnel of Yu Ming or Yu Ming's parent.
- (b) An entity is related to Yu Ming if any of the following conditions apply:
 - (i) The entity and Yu Ming are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of Yu Ming or an entity related to Yu Ming.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Yu Ming makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment allowances on financial assets

The measurement of impairment losses under HKFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

At each reporting date, Yu Ming assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. Yu Ming considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

Deferred taxes

Significant judgement is required in determining the amount of deferred taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the deferred taxes in the period in which such determination is made.

Fair value of financial assets and liabilities

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates including share prices, deposit rates, spot rates, risk-free rates, volatility and the relevant parameters of the valuation model be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

Determination of active market

HKFRS 13 defines that an active market as one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The management has to assess whether the market for the financial instruments is active or not in order to determine the fair value of the financial instruments.

6. REVENUE AND OTHER NET (LOSS)/INCOME

Revenue represents revenue arising on services rendered for the Track Record Period. All Yu Ming's revenue is derived from contracts with customers.

(a) Disaggregation of revenue

Revenue is disaggregated as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Type of services			
Advisory and related services	41,232	51,394	40,754
Asset management services			
– Management fee income	17,424	19,288	17,824
– Performance fee income	–	1,916	–
	<u>17,424</u>	<u>21,204</u>	<u>17,824</u>
Sundry income	<u>1,392</u>	<u>917</u>	<u>999</u>
	<u><u>60,048</u></u>	<u><u>73,515</u></u>	<u><u>59,577</u></u>
Type of customers			
Listed companies	51,248	59,665	53,927
Non-listed companies and others	<u>8,800</u>	<u>13,850</u>	<u>5,650</u>
	<u><u>60,048</u></u>	<u><u>73,515</u></u>	<u><u>59,577</u></u>
Timing of revenue recognition			
At a point in time	31,268	34,838	28,565
Transferred over time	<u>28,780</u>	<u>38,677</u>	<u>31,012</u>
	<u><u>60,048</u></u>	<u><u>73,515</u></u>	<u><u>59,577</u></u>

(b) Transaction price allocated to remaining performance obligations

As of 31 December 2016, 2017 and 2018, the aggregate amount of the transaction price allocated to the performance obligation that is unsatisfied (or partially unsatisfied) is approximately HK\$27,300,000, HK\$49,900,000 and HK\$43,420,000. Yu Ming expects to recognise the amount as revenue when the performance obligations are satisfied in coming 12 to 48 months, depending on the contract terms. The following table show the time bands for remaining performance obligations to be satisfied.

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Remaining performance obligations expected to be satisfied during:			
the year ended 31 December 2017	15,300	–	–
the year ended 31 December 2018	–	17,880	–
the year ending 31 December 2019	12,000	32,020	36,420
the year ending 31 December 2020	–	–	7,000
	27,300	49,900	43,420
	27,300	49,900	43,420

(c) Other net (loss)/income

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Exchange (loss)/gain, net	(544)	886	521
	(544)	886	521
	(544)	886	521

7. SEGMENT INFORMATION

Information reported to the CODM, being the directors of Yu Ming (the "Directors"), for the purpose of resource allocation and assessment of segment performance focuses on type of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of Yu Ming.

Yu Ming's reportable and operating segments are as follows:

- (i) Corporate finance services and investment – provision of corporate finance advisory services including financial advisory services, services incidental to financial advisory, compliance advisory services, placing agency and/or underwriting services and investment business.
- (ii) Asset management services – provision of asset management services including investment advisory services.

Segment revenue and results

	Corporate finance services and investment HK\$'000	Asset management services HK\$'000	Total HK\$'000
Year ended 31 December 2016			
External segment revenue and other income/(loss) <i>(Note)</i>	48,319	18,816	67,135
Result			
Segment profit	32,507	8,313	40,820
Profit before income tax			<u>40,820</u>
Year ended 31 December 2017			
External segment revenue and other income/(loss) <i>(Note)</i>	59,814	22,121	81,935
Result			
Segment profit	38,684	10,574	49,258
Profit before income tax			<u>49,258</u>
Year ended 31 December 2018			
External segment revenue and other income/(loss) <i>(Note)</i>	43,917	18,823	62,740
Results			
Segment profit	33,290	9,333	42,623
Profit before income tax			<u>42,623</u>

Note: Net financial income generated from proprietary trading included in external segment revenue and other income/(loss) under corporate finance services and investment for the years ended 31 December 2016, 2017 and 2018 were HK\$7,087,000, HK\$8,375,000 and HK\$3,163,000 respectively.

Segment assets and liabilities

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets			
Corporate finance services and investment	254,766	288,873	107,175
Asset management services	5,393	7,462	4,575
Total assets	<u>260,159</u>	<u>296,335</u>	<u>111,750</u>

	As at 31 December		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Segment liabilities			
Corporate finance services and investment	13,045	24,909	16,456
Asset management services	—	—	—
Total segment liabilities	13,045	24,909	16,456
Unallocated	18,452	20,297	8,708
Total liabilities	<u>31,497</u>	<u>45,206</u>	<u>25,164</u>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, certain trade and other receivables and deposits paid, cash and cash equivalents and other corporate assets; and
- all liabilities are allocated to operating segments other than other payable and accrued expenses, amount due to a holding company, taxation payable and other corporate liabilities.

Major customers information

Revenue from major customers, each of whom amounted to 10% or more of Yu Ming's revenue for the Track Record Period, is set out below:

	Year ended 31 December		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Customer A ¹	18,816	22,121	18,823

¹ Revenue from Customer A is attributable to asset management services

Note: None of corporate finance services and investment transaction during the years ended 31 December 2016, 2017 and 2018 was 10% or more of Yu Ming's revenue.

Geographic information

Yu Ming's operations are mainly located in Hong Kong and all Yu Ming's non-current assets are located in Hong Kong, except financial assets at fair value through other comprehensive income which are listed outside Hong Kong of HK\$8,757,000, HK\$8,603,000 and HK\$8,201,000 as at 31 December 2016, 2017 and 2018 respectively.

8. OTHER NET FINANCIAL INCOME

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Interest income from financial assets at fair value through other comprehensive income	5,914	5,556	1,237
Interest income from bank deposits	<u>178</u>	<u>583</u>	<u>1,783</u>
Total interest income derived from financial assets not at fair value through profit or loss	6,092	6,139	3,020
Realised gain on redemption of financial assets at fair value through other comprehensive income	3,577	1,623	–
Fair value loss on financial assets at fair value through profit or loss	(2,143)	(273)	(378)
Dividend income	878	–	–
Sundry income	<u>–</u>	<u>45</u>	<u>–</u>
	<u>8,404</u>	<u>7,534</u>	<u>2,642</u>

9. PROFIT BEFORE INCOME TAX

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Profit before income tax is arrived at after charging:			
Auditor's remuneration	35	36	38
Depreciation of property, plant and equipment	60	66	33
Employee benefit expense (including Directors' emoluments (Note 12)) (Note 11)	23,148	27,909	15,759
Minimum lease payments paid under operating leases in respect of rented premises	<u>904</u>	<u>1,013</u>	<u>1,050</u>

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at rate of 16.5% on the estimated assessable profits for each of the Track Record Period.

	Year ended 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Current tax			
Provision for the year	5,879	7,589	6,554
Overprovision in prior year	<u>(187)</u>	<u>(18)</u>	<u>(29)</u>
Total income tax expense	<u>5,692</u>	<u>7,571</u>	<u>6,525</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the 'Bill') which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The above amendment only allows a group of connected entities to nominate one entity to apply the reduced tax rate for a given year of assessment. The others would not qualify for the two-tiered profits tax rates.

For the year ended 31 December 2018, the ultimate holding company of Yu Ming did not nominate Yu Ming to apply the reduced tax rate. Therefore, Yu Ming would not qualify for the reduced tax rate and Hong Kong profits tax of Yu Ming continues to be calculated at a flat rate of 16.5% of the estimated assessable profits.

For the year ended 31 December 2016 and 2017, Hong Kong profits tax of Yu Ming was calculated at a flat rate of 16.5% of the estimated assessable profits.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>40,820</u>	<u>49,258</u>	<u>42,623</u>
Tax calculated at the applicable rate of 16.5%	6,735	8,127	7,033
Tax effect of non-taxable income	(1,076)	(559)	(486)
Tax effect of non-deductible expenses	225	16	13
Tax effect of temporary differences not recognised	(5)	5	(6)
Overprovision in prior year	<u>(187)</u>	<u>(18)</u>	<u>(29)</u>
Income tax expense	<u>5,692</u>	<u>7,571</u>	<u>6,525</u>

Yu Ming has no material unrecognised deferred tax as at 31 December 2016, 2017 and 2018.

11. EMPLOYEE BENEFIT EXPENSE (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	22,800	27,539	15,380
Pension costs – defined contribution plan	<u>348</u>	<u>370</u>	<u>379</u>
	<u>23,148</u>	<u>27,909</u>	<u>15,759</u>

12. DIRECTORS', EMPLOYEES' AND SENIOR MANAGEMENT'S EMOLUMENTS

(i) Directors' emoluments

Directors' remuneration paid or payable to each of the Directors for each of the Track Record Period are as follows:

	Fees <i>HK\$'000</i>	Salaries, bonus and benefits <i>HK\$'000</i>	Retirement benefits scheme contributions <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2016				
<i>Executive Director:</i>				
Mr. Lee Wa Lun, Warren (<i>Note a</i>)	–	10,540	–	10,540
<i>Non-Executive Director:</i>				
Mr. Li Chi Kong	–	–	–	–
	<u>–</u>	<u>10,540</u>	<u>–</u>	<u>10,540</u>
Year ended 31 December 2017				
<i>Executive Director:</i>				
Mr. Lee Wa Lun, Warren (<i>Note a</i>)	–	13,151	–	13,151
<i>Non-Executive Director:</i>				
Mr. Li Chi Kong	–	–	–	–
	<u>–</u>	<u>13,151</u>	<u>–</u>	<u>13,151</u>
Year ended 31 December 2018				
<i>Executive Director:</i>				
Mr. Lee Wa Lun (<i>Note a</i>)	–	4,310	–	4,310
<i>Non-executive Director:</i>				
Mr. Li Chi Kong	–	–	–	–
	<u>–</u>	<u>4,310</u>	<u>–</u>	<u>4,310</u>

Note:

- a. In respect of the term of employment, Mr. Lee Wa Lun, Warren is entitled to a discretionary bonus. The amount of the discretionary bonus is at the discretion of the board of Directors of Yu Ming (the "Board") taking into account of the performance of Yu Ming.

During the Track Record Period, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by Yu Ming to any of the Directors as an inducement to join or upon joining Yu Ming or as compensation for loss of office.

(ii) Five highest paid individuals

The five highest paid individuals included one, one and one Director for the years ended 31 December 2016, 2017 and 2018, details of whose emoluments are set out in Note 12(i) above. The emoluments of the remaining highest paid individuals are as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other benefits	4,290	4,507	4,732
Bonus payments (<i>Note a</i>)	3,805	5,014	2,874
Retirement benefit scheme contributions	198	207	218
	<u>8,293</u>	<u>9,728</u>	<u>7,824</u>

Their emoluments fell within the following bands:

	Number of employees		
	Year ended 31 December		
	2016	2017	2018
HK\$1,000,000 or below	–	–	–
HK\$1,000,001 to HK\$1,500,000	–	–	1
HK\$1,500,001 to HK\$2,000,000	2	2	1
HK\$2,000,001 to HK\$2,500,000	–	–	1
HK\$2,500,001 to HK\$3,000,000	2	–	1
HK\$3,000,001 to HK\$3,500,000	–	2	–
	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, there were no emoluments paid by Yu Ming to any of the five highest paid individuals as an inducement to join or upon joining Yu Ming or as compensation for loss of office.

Note:

- a. In respect of the term of employment, Executive Director and staff are entitled to a discretionary bonus. The amount of the discretionary bonus is at the discretion of the Board taking into account of the performance of Yu Ming.

13. DIVIDENDS

No dividend has been paid or declared by Yu Ming during the Track Record Period except below:–

On 25 January 2017 and 10 May 2017, the Board declared interim dividends of HK\$1 and HK\$1 per ordinary share respectively. Interim dividends of totaling HK\$20,000,000 were paid for the year ended 31 December 2017.

On 13 September 2018, the Board declared an interim dividend of HK\$20 per ordinary share. Interim dividend of totaling HK\$200,000,000 was paid for the year ended 31 December 2018.

14. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
1 January 2016	143	601	272	1,016
Additions	–	64	–	64
Written off	–	(66)	–	(66)
	<u>143</u>	<u>599</u>	<u>272</u>	<u>1,014</u>
At 31 December 2016 and 1 January 2017				
Additions	–	23	–	23
	<u>143</u>	<u>622</u>	<u>272</u>	<u>1,037</u>
At 31 December 2017 and 1 January 2018				
Additions	–	55	–	55
	<u>143</u>	<u>677</u>	<u>272</u>	<u>1,092</u>
At 31 December 2018				
Accumulated depreciation				
1 January 2016	143	508	272	923
Depreciation	–	60	–	60
Written off	–	(66)	–	(66)
	<u>143</u>	<u>502</u>	<u>272</u>	<u>917</u>
At 31 December 2016 and 1 January 2017				
Depreciation	–	66	–	66
	<u>143</u>	<u>568</u>	<u>272</u>	<u>983</u>
At 31 December 2017 and 1 January 2018				
Depreciation	–	33	–	33
	<u>143</u>	<u>601</u>	<u>272</u>	<u>1,016</u>
At 31 December 2018				
Carrying amount				
At 31 December 2016	<u>–</u>	<u>97</u>	<u>–</u>	<u>97</u>
At 31 December 2017	<u>–</u>	<u>54</u>	<u>–</u>	<u>54</u>
At 31 December 2018	<u>–</u>	<u>76</u>	<u>–</u>	<u>76</u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current			
Listed debt securities (<i>Notes 15.1 and 27.7(b)</i>)	94,319	16,925	16,263
Unlisted debt securities (<i>Note 27.7(b)</i>)	<u>7,851</u>	<u>—</u>	<u>—</u>
	<u>102,170</u>	<u>16,925</u>	<u>16,263</u>
Current			
Unlisted debt securities (<i>Note 27.7(b)</i>)	<u>—</u>	<u>8,461</u>	<u>—</u>
	<u>102,170</u>	<u>25,386</u>	<u>16,263</u>

Fair values for these securities have been measured as described in Note 27.7.

Financial assets at fair value through other comprehensive income are denominated in the following currencies:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
United States dollars (“USD”)	94,319	16,925	16,263
Renminbi (“RMB”)	<u>7,851</u>	<u>8,461</u>	<u>—</u>
	<u>102,170</u>	<u>25,386</u>	<u>16,263</u>

15.1 Listed debt securities

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Listed debt securities			
– Listed in Hong Kong	85,562	8,322	8,062
– Listed outside Hong Kong	<u>8,757</u>	<u>8,603</u>	<u>8,201</u>
	<u>94,319</u>	<u>16,925</u>	<u>16,263</u>

These financial assets are subject to financial risk exposure in term of price and currency risks.

16. OTHER ASSETS

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Dealer deposit with the Securities and Futures Commission of Hong Kong (“SFC”)	<u>50</u>	<u>50</u>	<u>50</u>

17. TRADE AND OTHER RECEIVABLES AND DEPOSITS PAID

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Non-current			
Prepayment	—	5	—
Current			
Trade receivables	2,118	2,406	4,738
Other receivables	73	248	258
Prepayments	30	36	52
Rental and utility deposits	218	246	246
	<u>2,439</u>	<u>2,936</u>	<u>5,294</u>
	<u>2,439</u>	<u>2,941</u>	<u>5,294</u>

Yu Ming normally applies credit terms to its customers according to industry practice together with consideration of their creditability, repayment history and years of establishment. Each customer has a maximum credit limit. Yu Ming seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

The Board considers that the fair values of trade and other receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The ageing analysis of Yu Ming's trade receivables as at the reporting date, based on invoice dates, is as follows:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Within 30 days	781	151	3,882
Over 30 days but with 60 days	530	50	150
Over 60 days	807	2,205	706
	<u>2,118</u>	<u>2,406</u>	<u>4,738</u>

The ageing analysis of Yu Ming's trade receivables that were neither past due nor impaired as at the reporting date, based on due dates, is as follows:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	<u>2,118</u>	<u>2,406</u>	<u>4,738</u>

At each reporting date, Yu Ming reviews trade receivables for evidence of impairment on both individual and collective basis.

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Equity securities held for trading			
– Listed in Hong Kong	1,028	755	377
	<u>1,028</u>	<u>755</u>	<u>377</u>

Financial assets at fair value through profit or loss are denominated in HK\$.

Fair values for these financial instruments have been measured as described in Note 27.7.

These financial assets are subject to financial risk exposure in term of price risk.

19. AMOUNT DUE FROM A FELLOW SUBSIDIARY

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Trade in nature	5,393	7,462	4,575
	<u>5,393</u>	<u>7,462</u>	<u>4,575</u>

The amount due from a fellow subsidiary is unsecured, interest free and repayable on demand.

20. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Cash on hand and at banks	3,454	22,501	3,888
Short-term time deposits	145,528	235,245	79,049
	<u>148,982</u>	<u>257,746</u>	<u>82,937</u>

Bank balances, included in cash and cash equivalents of Yu Ming are denominated in the following currencies:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
USD	11,693	96,321	43,592
RMB	1	1	1

Yu Ming did not have significant exposure to foreign currency risk at 31 December 2016, 2017 and 2018.

21. CONTRACT LIABILITIES

Yu Ming have recognised the following revenue-related contract liabilities.

	As at 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities	<u>13,045</u>	<u>24,909</u>	<u>16,456</u>

The timing of revenue recognition, progress billings to customers and payments received from customers would affect the amount of trade receivables, contract assets and contract liabilities recognised as at the reporting date on the statements of financial position.

The contract liabilities mainly relate to the advance consideration received from customers.

Movement in the contract liabilities during the Track Record Period are as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 January	4,100	13,045	24,909
Revenue recognised that was included in the contract liabilities balance at beginning of year	(1,100)	(8,545)	(18,909)
Increase due to cash received, excluding amount recognised as revenue during the year	<u>10,045</u>	<u>20,409</u>	<u>10,456</u>
Balance at 31 December	<u>13,045</u>	<u>24,909</u>	<u>16,456</u>

22. AMOUNT DUE TO A HOLDING COMPANY

The amount due to a holding company is unsecured, interest free, repayable on demand and non-trade in nature.

23. SHARE CAPITAL

	As at 31 December					
	2016		2017		2018	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares, issued and fully paid	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>

24. RESERVES

Details of the movements of Yu Ming reserves are set out in the statements of changes in equity of Historical Financial Information of Yu Ming.

The following describes the nature and purpose of each reserve within owners' equity.

Investment revaluation reserve

Investment revaluation reserve represents changes in fair value of financial assets at fair value through other comprehensive income.

Retained earnings

Cumulative net gains and losses recognised in profit or loss.

25. OPERATING LEASES COMMITMENTS

As at 31 December 2016, 2017 and 2018, the total future minimum lease payments under non-cancellable operating leases by Yu Ming are as follows:

	As at 31 December		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Within one year	226	1,050	262
After one year but within five years	—	262	—
	<u>226</u>	<u>1,312</u>	<u>262</u>

Yu Ming leases rental premises under operating leases. The leases run for an initial period of two years, two years and two years as at 31 December 2016, 2017 and 2018 respectively.

As at 31 December 2016, 2017 and 2018, Yu Ming's operating lease commitment to AGL was approximately HK\$50,000, HK\$292,000 and HK\$58,000 respectively.

As at 31 December 2016, 2017 and 2018, Yu Ming's operating lease commitment to a joint venture of AGL was approximately HK\$176,000, HK\$1,020,000 and HK\$204,000 respectively.

26. RELATED PARTY TRANSACTIONS

Saved as those disclosed elsewhere in these financial statements, Yu Ming had the following significant related party transactions during the Track Record Period, which were carried out in the normal course of Yu Ming's business:

	Year ended 31 December		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Received or receivable from SHK Hong Kong Industries Limited ("SHK"), a fellow subsidiary			
Management fee income (<i>Note (i)(a)</i>)	17,424	19,288	17,824
Performance fee income (<i>Note (i)(a)</i>)	–	1,916	–
Sundry income (<i>Note (i)(b)</i>)	<u>1,392</u>	<u>917</u>	<u>999</u>
Received from associates of AGL			
Advisory fee income (<i>Note (i)(c)</i>)	<u>2,000</u>	<u>1,250</u>	<u>–</u>
Receivable from an entity controlled by an executive director and controlling shareholder of AGL			
Advisory fee income (<i>Note (i)(c)</i>)	<u>–</u>	<u>–</u>	<u>3,000</u>
Paid to AGL and its subsidiary			
Rental fee (<i>Note (i)(d)</i>)	202	226	234
Management fee and air conditioning charges (<i>Note (i)(d)</i>)	<u>57</u>	<u>62</u>	<u>59</u>
Paid to a joint venture of AGL			
Rental fee (<i>Note (i)(d)</i>)	702	787	816
Management fee and air conditioning charges (<i>Note (i)(d)</i>)	<u>152</u>	<u>152</u>	<u>152</u>
Interest income from financial assets at fair value through other comprehensive income issued by fellow subsidiaries (<i>Note (iii)</i>)	<u>900</u>	<u>891</u>	<u>571</u>

Notes:

- (i) (a) On 19 November 2012, an investment management agreement (the "Investment Management Agreement") was entered into by Yu Ming and SHK, which was approved by the shareholders of SHK on 28 December 2012. Under the Investment Management Agreement, Yu Ming agreed to assist the board of directors of SHK with the day-to-day management of SHK from 1 January 2013 to 31 December 2015. Yu Ming is entitled to a quarter management fee equal to 0.375% of the consolidated net asset value attributable to the owners of SHK for such quarter, calculated and payable in arrears on a quarterly basis by reference to the arithmetical average of the published consolidated net asset value attributable to the owners of SHK on the last day of each calendar month during each quarter; and a performance fee equal to 20% of the amount by which the audited consolidated net asset value attributable to the owners of SHK of each year ending 31 December, exceeds the audited consolidated net asset value attributable to the owners of SHK as at the end of the latest financial year in which Yu Ming was entitled to a performance fee.

A new investment management agreement (the "New Investment Management Agreement") for three years effective from 1 January 2016, with similar terms set out in the Investment Management Agreement but new annual caps, was approved by the independent shareholders of SHK on 29 December 2015. Details of the New Investment Management Agreement are set out in the related circular of the SHK dated 11 December 2015.

- (b) Yu Ming provided day-to-day management (including office administration and operation) to SHK and fees were charged in accordance with the management agreement.
 - (c) These fees were charged in accordance with the terms mutually agreed by both parties.
 - (d) These fees and charges were paid in accordance with the terms of tenancy agreements.
- (ii) Save as disclosed elsewhere in these financial statements, the other transactions with Yu Ming's related parties mainly related to the expenses paid by Yu Ming on behalf of its related parties and net advances made to Yu Ming's related parties.
 - (iii) The net carrying value of the notes issued by fellow subsidiaries as at 31 December 2016, 2017 and 2018 was HK\$16,009,000, HK\$16,783,000 and HK\$8,062,000 respectively. For the years ended 31 December 2016, 2017 and 2018, interest income from the notes issued by fellow subsidiaries of HK\$900,000, HK\$891,000 and HK\$571,000 respectively were recognised in profit or loss.

Compensation of key management personnel

Remuneration for key management personnel of Yu Ming, including amounts paid to the Directors as disclosed in Note 12(i) and certain highest paid employees as disclosed in Note 12(ii) is as follows:

	Year ended 31 December		
	2016	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	18,635	22,672	11,916
Pension costs – defined contribution plan	198	207	218
	<u>18,833</u>	<u>22,879</u>	<u>12,134</u>

27. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

Yu Ming is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

Financial risk management is coordinated at Yu Ming's headquarters, in close co-operation with the Board periodically. The overall objectives in managing financial risks focus on securing Yu Ming's short-to-medium-term cash flows by minimising its exposure to financial markets. Long-term financial investments are managed to generate lasting returns with acceptable risk levels.

27.1 Categories of financial assets and liabilities

The carrying amounts and fair values of each of the categories of financial assets and liabilities as at the reporting date are as follows:

	Carrying amounts			Fair values		
	As at 31 December			As at 31 December		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets						
<i>Non-current assets</i>						
Financial assets at fair value through other comprehensive income	<u>102,170</u>	<u>16,925</u>	<u>16,263</u>	<u>102,170</u>	<u>16,925</u>	<u>16,263</u>
<i>Current assets</i>						
Financial assets at fair value through other comprehensive income	–	8,461	–	–	8,461	–
Financial assets at fair value through profit or loss	1,028	755	377	1,028	755	377
Financial assets at amortised costs						
– Trade and other receivables	2,191	2,654	4,996	2,191	2,654	4,996
– Amount due from a fellow subsidiary	5,393	7,462	4,575	5,393	7,462	4,575
– Cash and cash equivalents	<u>148,982</u>	<u>257,746</u>	<u>82,937</u>	<u>148,982</u>	<u>257,746</u>	<u>82,937</u>
	<u>157,594</u>	<u>277,078</u>	<u>92,885</u>	<u>157,594</u>	<u>277,078</u>	<u>92,885</u>
	<u>259,764</u>	<u>294,003</u>	<u>109,148</u>	<u>259,764</u>	<u>294,003</u>	<u>109,148</u>
Financial liabilities						
Financial liabilities at amortised cost						
– Other payables and accrued expenses	15,889	19,962	8,315	15,889	19,962	8,315
– Amount due to a holding company	<u>295</u>	<u>335</u>	<u>393</u>	<u>295</u>	<u>335</u>	<u>393</u>
	<u>16,184</u>	<u>20,297</u>	<u>8,708</u>	<u>16,184</u>	<u>20,297</u>	<u>8,708</u>

27.2 Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Most of Yu Ming's transactions are carried out in HK\$. Exposures to currency exchange rates mainly arise from Yu Ming's investments, which are primarily denominated in USD and RMB.

Foreign currency denominated financial assets and liabilities, translated into HK\$ at the closing rates, are as follows:

As at 31 December 2016	USD <i>HK\$'000</i>	RMB <i>HK\$'000</i>
Financial assets	11,693	1
Financial liabilities	—	—
Short-term exposure	<u>11,693</u>	<u>1</u>
Financial assets	94,319	7,851
Financial liabilities	—	—
Long-term exposure	<u>94,319</u>	<u>7,851</u>
As at 31 December 2017	USD <i>HK\$'000</i>	RMB <i>HK\$'000</i>
Financial assets	96,321	8,461
Financial liabilities	—	—
Short-term exposure	<u>96,321</u>	<u>8,461</u>
Financial assets	16,925	—
Financial liabilities	—	—
Long-term exposure	<u>16,925</u>	<u>—</u>
As at 31 December 2018	USD <i>HK\$'000</i>	RMB <i>HK\$'000</i>
Financial assets	43,592	1
Financial liabilities	—	—
Short-term exposure	<u>43,592</u>	<u>1</u>
Financial assets	16,263	—
Financial liabilities	—	—
Long-term exposure	<u>16,263</u>	<u>—</u>

A reasonable change in foreign exchange rate for USD and RMB in the next twelve months is assessed to result in immaterial change in Yu Ming's profit after tax, retained earnings and other components of equity.

27.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Yu Ming is exposed to fair value interest rate risk for changes in market interest rates through its investments in debt securities. Change in interest rates may affect the value of the debt securities and therefore result in a potential gain or loss to Yu Ming.

Yu Ming is also exposed to cash flow interest rate risk for changes in market interest rates through its deposits at floating interest rates, which are subject to variable interest rates.

The following table indicates the approximate change in Yu Ming's profit after tax (and retained earnings) in response to reasonably possible changes in the interest rates at variable interest rates as at the reporting date.

	2016		Year ended 31 December 2017		2018	
	Increase/ (decrease) in interest rate	Effect on profit after tax and retained earnings HK\$'000	Increase/ (decrease) in interest rate	Effect on profit after tax and retained earnings HK\$'000	Increase/ (decrease) in interest rate	Effect on profit after tax and retained earnings HK\$'000
Deposits	0.5%	745	0.5%	1,289	0.5%	415
Deposits	(0.5%)	(745)	(0.5%)	(1,289)	(0.5%)	(415)

The sensitivity analysis of Yu Ming's exposure to interest rate risk at the reporting date has been determined based on the assumed percentage changes in interest rates taking place at the beginning of the financial year and held constant throughout the year. The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the period until the next reporting date. These are the same method and assumption used in preparing the sensitivity analysis included in the financial statement for the year ended 31 December 2015.

27.4 Equity price risk

Equity price risk relates to the risk that fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Yu Ming is exposed to equity price changes arising from equity investments classified as trading securities. All of these investments are listed.

Yu Ming's listed investments are primarily listed on The Stock Exchange of Hong Kong Limited. The portfolio is diversified in terms of industry distribution, in accordance with the limits set by Yu Ming.

The following table indicates the approximate change in Yu Ming's profit after tax (and retained earnings) and other components of the equity in response to the reasonably possible changes in the relevant stock market prices, to which Yu Ming has significant exposure at the reporting date.

In response to the reasonably possible change in the market price of the listed securities, Yu Ming's investment in listed securities has the following exposures:

	Year ended 31 December					
	2016		2017		2018	
	Increase/ (decrease) in securities' market price	Effect on profit after tax and retained earnings <i>HK\$'000</i>	Increase/ (decrease) in securities' market price	Effect on profit after tax and retained earnings <i>HK\$'000</i>	Increase/ (decrease) in securities' market price	Effect on profit after tax and retained earnings
Hong Kong market	4%	34	5%	32	5%	16
Hong Kong market	(4%)	(34)	(5%)	(32)	(5%)	(16)

The sensitivity analysis of Yu Ming's exposure to equity price risk at the reporting date has been determined based on the assumed percentage changes in the stock market price or other relevant risk variables taking place at the beginning of the financial year and held constant throughout the year. The assumed changes represent management's assessment of reasonably possible changes in the relevant stock market index or the relevant risk variables over the period until the next reporting date. These are the same method and assumption used in preparing the sensitivity analysis included in the financial statement for the year ended 31 December 2015.

27.5 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to Yu Ming.

The credit risk for liquid funds is considered negligible as the counterparties are reputable financial institutions with high quality and credit ratings.

Yu Ming adopts conservative investment strategies. Usually investments are in liquid securities quoted on recognised stock exchanges, except where entered into for long-term strategic purposes. For investment in debt securities, basically only debt securities with credit ratings of C or above would be considered. Trading accounts are only opened with reputable security brokers. The Board monitors Yu Ming's overall investment position and exposures based on the investment report. For the listed debt securities which are classified as financial assets at fair value through other comprehensive income, the gross carrying amounts with crediting rating between BB+ and B- are HK\$95,091,000, HK\$16,925,000 and HK\$16,263,000 as at 31 December 2016, 31 December 2017 and 31 December 2018 respectively and the loss allowance is measured at an amount equal to 12-month expected credit losses.

Yu Ming's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality. Yu Ming assessed the credit quality of the counterparties by taking into account their financial position, credit history and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any. The Directors are of the opinion that the risk of default by counterparties is low.

None of Yu Ming's financial assets are secured by collateral or other credit enhancements.

Yu Ming considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, Yu Ming compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Yu Ming considers a financial asset to be in default when: (1) the borrower is unlikely to pay its credit obligations to Yu Ming in full, without recourse by Yu Ming to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

(i) Trade receivables

Yu Ming applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. Yu Ming always measures the loss allowance for trade receivables at an amount equal to lifetime ECLs. The ECLs on trade receivables are estimated by reference to past default experience of the debtor and current market condition in relation to each debtor's exposure. The ECLs also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. To measure ECLs, the trade receivables have been grouped based on share credit risk characteristics and the days past due according to the ageing as disclosed in note 17. Expected loss rate of current trade receivables are assessed to be 0.1% as the trade receivables mainly represent amounts due from the customers with high credit rating and no history of default. The Directors consider the loss allowance provision for these balances was not material during the Track Record Period. There is no change in the expected credit loss rate for trade receivables during the Track Record Period mainly due to no significant change in the historical default rates of trade receivables based on which the expected credit loss rate is determined.

Set out below is the information about the credit risk exposure on Yu Ming's trade receivables using a provision matrix:

	As at 31 December		
	2016	2017	2018
	Current	Current	Current
Expected credit loss rate	0.1%	0.1%	0.1%
Gross carrying amount (HK\$'000)	2,118	2,406	4,738
Expected credit losses (HK\$'000)	2	2	5

(ii) Other receivables

As at 31 December 2016, 2017 and 2018, the management of Yu Ming takes into account the historical default experience and forward-looking information, as appropriate, for example Yu Ming considers the consistently low historical default rates of counterparties, and concludes that credit risk inherent in Yu Ming's outstanding other receivables is insignificant. The management of Yu Ming has assessed that other receivables do not have a significant increase in credit risk since initial recognition and risk of default is insignificant, therefore the expected credit losses for these receivables are not material under the 12 months expected losses method and no loss allowance provision was recognised during the Track Record Period.

27.6 Liquidity risk

Liquidity risk relates to the risk that Yu Ming will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or other financial assets. Yu Ming is exposed to liquidity risk in respect of settlement of other payables and its financing obligations, and also in respect of its cash flow management. Yu Ming's objective is to maintain an appropriate level of liquid assets to meet its liquidity requirements in the short and long term.

Yu Ming manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for 360-day lookout period are identified monthly.

Yu Ming maintains cash, short-term bank deposits and marketable securities to meet its liquidity requirements for up to 30-day periods. Funding for long-term liquidity needs is secured by the ability to sell long-term financial assets.

Analysed below are Yu Ming's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2016, 2017 and 2018.

	On demand or less than 6 months HK\$'000
As at 31 December 2016	
Other payables and accrued expenses	15,889
Amount due to a holding company	<u>295</u>
	<u>16,184</u>
As at 31 December 2017	
Other payables and accrued expenses	19,962
Amount due to a holding company	<u>335</u>
	<u>20,297</u>
As at 31 December 2018	
Other payables and accrued expenses	8,315
Amount due to a holding company	<u>393</u>
	<u>8,708</u>

27.7 Fair value measurements

(a) Financial assets carried at fair value

The following table presents financial assets measured at fair value at the reporting date in accordance with fair value hierarchy. The hierarchy groups financial assets into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets measured at fair value in the statements of financial position are grouped into the fair value hierarchy as follows:

	As at 31 December 2016			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial assets at fair value through other comprehensive income				
– Listed	–	94,319	–	94,319
– Unlisted	–	7,851	–	7,851
Financial assets at fair value through profit or loss				
– Listed securities held for trading	1,028	–	–	1,028
Total fair value	1,028	102,170	–	103,198
As at 31 December 2017				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income				
– Listed	–	16,925	–	16,925
– Unlisted	–	8,461	–	8,461
Financial assets at fair value through profit or loss				
– Listed securities held for trading	755	–	–	755
Total fair value	755	25,386	–	26,141
As at 31 December 2018				
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial assets at fair value through other comprehensive income				
– Listed	–	16,263	–	16,263
Financial assets at fair value through profit or loss				
– Listed securities held for trading	377	–	–	377
Total fair value	377	16,263	–	16,640

There have been no significant transfers between Levels 1 and 2 in the Track Record Period.

The methods and valuation techniques used for the purpose of measuring fair value are unchanged during the Track Record Period.

(b) Valuation techniques and inputs used in Level 2 fair value measurements

Listed and unlisted debt securities

Fair values of listed and unlisted debt securities have been determined by a firm of independent professional valuers, Greater China Appraisal Limited (“GCA”), using valuation techniques as described below:

The methods and assumptions applied for the valuation of these bonds are as follows:

(i) Valuation of debt element

The fair value of the debt element was calculated based on the present value of contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to instruments of similar terms. The effective interest rates of the debt element at 31 December 2016, 2017 and 2018, ranging from 4.87% to 8.17%, ranging from 4.49% to 8.54% and ranging from 5.94% to 9.38% respectively.

(ii) Valuation of derivative element

Call option embedded in bond is subject to financial risk exposure in term of interest rate and currency risks.

Hull-White Model with Trinomial Tree Model is used for valuation of derivative element of note (i.e. call option embedded in bond). Significant inputs into the model as at 31 December 2016 were the mean reverting rate of 0.04, default intensity of 5.13% and short rate volatility of 0.01 respectively.

28. CAPITAL MANAGEMENT

Yu Ming’s capital management objectives are to ensure Yu Ming’s ability to continue as a going concern and to provide an adequate return to shareholders.

Yu Ming actively and regularly reviews its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. Yu Ming monitors its capital structure on the basis of debt to equity ratio.

The debt to equity ratio at reporting date was as follows:

	As at 31 December		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Borrowings	—	—	—
Total equity	<u>228,662</u>	<u>251,129</u>	<u>86,586</u>
Debt-to-equity ratio	<u>0:1</u>	<u>0:1</u>	<u>0:1</u>

Yu Ming is registered with the SFC for the business it operates in. Yu Ming is subject to liquid capital requirements under Hong Kong Securities and Futures (Financial Resources) Rules (“SF(FR)R”) adopted by the SFC. Under SF(FR)R, Yu Ming must maintain its liquid capital (assets and liabilities adjusted as determined by

SF(FR)R) in excess of statutory floor requirement or 5% its total adjusted liabilities, whichever is higher. The required information is filed with SFC on a regular basis and Yu Ming has complied with those requirements during the Track Record Period.

29. LITIGATIONS

- (1) Zhi, Charles as the plaintiff ("Plaintiff 1") filed a writ of summons ("Writ 1") in December 2016 against (i) Mr. Hung Tsung Chin (an executive director and chairman of Sandmartin International Holdings Limited ("Sandmartin International"), its shares are listed on the main board of The Stock Exchange of Hong Kong (the "Stock Exchange")) (ii) Ms. Chen Mei Huei (an executive director and chief executive officer of Sandmartin International), (iii) Liao Wen I (an executive director of Sandmartin International), (iv) Frank Karl-Heinz Fischer (an executive director of Sandmartin International), (v) Chen Wei Chun (an executive director of Sandmartin International), (vi) Yu Ming and (vii) Sandmartin International (collectively "All Parties") as the defendants under action number HCA 3346/2016 in the High Court of Hong Kong ("High Court"). In Writ 1, the Plaintiff 1 claimed for (i) a declaration that All Parties have committed an offence under Part XV of the Securities and Futures Ordinance ("SFO") which requires directors, chief executives and substantial shareholders to disclose their interests in the shares and debentures of Sandmartin International; (ii) a declaration that Mr. Hung Tsung Chin, Ms. Chen Mei Huei, Liao Wen I, Frank Karl-Heinz Fischer and Chen Wei Chun have breached their fiduciary duties to Sandmartin International; (iii) a declaration that Yu Ming, willfully and knowingly advised Sandmartin International to hide critical information about the connected parties on proposed open offer and specific mandate, announced by Sandmartin International on 24 October 2016; (iv) an order for clarification announcement that the Stock Exchange was not oppressive but not ruled based; and (v) an order for Sandmartin International to exert its power under Section 329 of the SFO to investigate the holders of interests in its shares and debentures. On 29 September 2017, Sandmartin International announced that a consent order was made by the court to dismiss the proceedings against Sandmartin International, Mr. Hung Tsung Chin, Ms. Chen Mei Huei and Liao Wen I.

The Directors, having obtained the legal opinion from the legal advisers that no litigation has yet been commenced against Yu Ming up to the date of this report, although Plaintiff 1 is entitled to serve a writ on any defendant within twelve months of the issue of writ and to apply for extension of the validity of the writ for a period of not exceeding 12 months from the expiry date of the writ and to serve the writ within such extended period, the writ has lapsed since it has not been served within such period, and no demand or claim has been received from Plaintiff 1 in relation to any of the matters mentioned in the said writ, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated and determined that no provision in respect of this case was made for the year ended 31 December 2016 and for the year ended 31 December 2017 and for the year ended 31 December 2018.

- (2) Mr. Lim Hang Young ("Plaintiff 2") as the plaintiff filed a writ of summons ("Writ 2") in December 2016 against (i) the Stock Exchange; (ii) Yu Ming; and (iii) L & A International Holdings Limited ("L & A International"), its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong as the defendants under a legal proceeding in High Court. Pursuant to the claims generally indorsed on Writ 2, Plaintiff 2 sought, inter alia, for (i) a declaration against Stock Exchange that the Stock Exchange has acted in bad faith in the vetting of the share subscription during the general offer period; (ii) an order against Stock Exchange to rescind all listing approvals; (iii) a declaration against Yu Ming that Yu Ming purposefully ill advised L & A International to break various the Listing Rules, including assisting L & A International in its multi-layer marketing scheme; and (iv) an order against L & A International to apply for self-delisting. On 21 December 2017, L & A International announced that, inter alia, High Court Action No. HCA 3325/2016 against L & A International was dismissed by the High Court on the ground that the Plaintiff 2 failed to file and serve statement of claim on L & A International.

The Directors, having obtained the legal opinion from the legal advisers that no litigation has yet been commenced against Yu Ming up to the date of this report, although Plaintiff 2 is entitled to serve a writ on any defendant within twelve months of the issue of writ and to apply for extension of the validity of the writ for a period of not exceeding 12 months from the expiry date of the writ and to serve the writ within such extended period, the writ has lapsed since it has not been served within

such period, and no demand or claim has been received from Plaintiff 2 in relation to any of the matters mentioned in the said writ, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated and determined that no provision in respect of this case was made for the year ended 31 December 2016 and for the year ended 31 December 2017 and for the year ended 31 December 2018.

- (3) Mr. Kim Sungho (“Plaintiff 3”) as the plaintiff filed a writ of summons (“Writ 3”) in January 2017 against (i) Strong Light Investments Limited, a substantial shareholder of the L & A International (“Strong Light”); (ii) FP Sino-Rich Securities & Futures Limited (“FP”); (iii) Yu Ming; and (iv) L & A International as the defendants under a legal proceeding in High Court. Pursuant to the claims generally indorsed on Writ 3, Plaintiff 3 sought, inter alia, for (i) a declaration against Strong Light that Strong Light and its parties acting in concert has accumulated over 30% of the outstanding shares in L & A International, thus triggering the mandatory general offer; and (ii) a declaration against FP and Yu Ming that FP purposefully ill advised L & A International to break various Listing Rules, including assisting L & A International in its multi-layer marketing scheme.

The Directors, having obtained the legal opinion from the legal advisers that no litigation has yet been commenced against Yu Ming up to the date of this report, although Plaintiff 3 is entitled to serve a writ on any defendant within twelve months of the issue of writ and to apply for extension of the validity of the writ for a period of not exceeding 12 months from the expiry date of the writ and to serve the writ within such extended period, the writ has lapsed since it has not been served within such period, and no demand or claim has been received from Plaintiff 3 in relation to any of the matters mentioned in the said writ, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated and determined that no provision in respect of this case was made for the year ended 31 December 2017 and for the year ended 31 December 2018.

- (4) On 8 May 2017 Yu Ming received a writ of summons (“Writ 4”) dated 5 May 2017 filed by China Health Group Limited (formerly China Healthcare Holdings Limited) as plaintiff (“Plaintiff 4”) against (i) Yu Ming; (the “Action”) (ii) 賈虹生; and (iii) 趙愷 as defendants under High Court Action No. HCA1077/2017. Pursuant to the statement of claim therein, Plaintiff 4 sought, inter alia, against Yu Ming a declaration that the engagement letter entered into in March 2016 and another engagement letter entered into in May 2016 between Plaintiff 4 and Yu Ming are void and an order that Yu Ming do forthwith pay the sum of HK\$5,300,000, being the fees paid by Plaintiff 4 to Yu Ming under the said engagement letters, to Plaintiff 4. Yu Ming has appointed legal advisor to act for it in relation to the Action, and based on the information and documents Yu Ming provided to it, such legal adviser is of the opinion that Yu Ming has good prospect of successfully defending the Action. Furthermore, Yu Ming has on 7 June 2017 taken out an application to the court to strike out the Action on the ground that it discloses no reasonable cause of action and/or is frivolous or vexatious and/or is unnecessary and tends to prejudice, embarrass or delay the fair trial of the action and/or is otherwise an abuse of the process of the court. The hearing of the application scheduled to be heard on 21 June 2017 has been adjourned by consent. Plaintiff 4 filed and served its affirmation in opposition to the striking out summons on 29 August 2017, and Yu Ming filed and served its affirmation in reply on 1 November 2017. The hearing for the striking out summons was heard on 19 June 2018 and the application was dismissed. Plaintiff 4 filed its amended statement of claim (which amendments are principally additional details which Plaintiff 4 averred support its claims, but no amendments were made to the actual claims and reliefs sought against the defendants in the statement of claim) on 30 August 2018, Yu Ming has filed its defence and counterclaim by 11 October 2018 and Plaintiff 4 has filed its reply and also served a Mediation Notice on 4 January 2019. Yu Ming served its request for further and better particulars of Plaintiff 4’s reply on 10 January 2019 and filed and served an amended defence on 17 January 2019. Mediation took place on 25 February 2019 but was unsuccessful and the parties failed to reach any agreement. Plaintiff 4 filed and served answers to the request for further and better particulars of Plaintiff 4’s reply on 18 April 2019.

Yu Ming’s legal advisor is of the view that Yu Ming is entitled to rely on the “indoor management rule”, which states that any person contracting with a company and dealing in good faith with the same may assume that acts within its constitution and powers have been properly and duly performed and are not bound to inquire whether acts of internal management have been regular. They are also of the view that there are contemporaneous records and correspondence evidencing Yu Ming’s work

done for the plaintiff pursuant to the engagement letters. Based on the information and documents provided to it by Yu Ming, Yu Ming's legal advisor is of the opinion that, the vagaries of litigation aside, Yu Ming is very likely to successfully defend the Action.

The Directors, having obtained the legal opinion from the legal adviser, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated and determined that no provision in respect of this case was made for the year ended 31 December 2017 and for the year ended 31 December 2018.

30. EVENTS AFTER REPORTING PERIOD

Saved as disclosed above, there have been no other significant events undertaken by Yu Ming after 31 December 2018 and up to the date of this report.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Yu Ming in respect of any period subsequent to 31 December 2018.

1. FINANCIAL INFORMATION OF THE GROUP**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
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)

We were engaged to audit the consolidated financial statements of China Agrotech Holdings Limited (In Liquidation) (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages II-6 to II-31, which comprise the consolidated statement of financial position as at 30 June 2016, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Except for the inability to obtain sufficient appropriate audit evidence as explained below, we conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Because of the matters described in the basis for disclaimer of opinion paragraphs, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

BASIS FOR DISCLAIMER OF OPINION**1. Opening balances and corresponding figures**

Our audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2015, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty relating to the going concern basis, details of which are set out in our auditor's report dated 11 April 2019.

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

2. Limited accounting books and records of the Group

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 30 June 2016 and 2015, we were unable to carry out audit procedures to satisfy ourselves as to whether the following income and expenses for the years ended 30 June 2016 and 2015 and the assets and liabilities as at those dates, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Income and expenses for the years ended 30 June:</i>		
Revenue	–	–
Other income	–	921
General and administrative expenses	–	(6,702)
Loss from operations	–	(5,781)
Finance costs	–	(45,584)
Loss before tax	–	(51,365)
Income tax	–	–
Loss and total comprehensive loss for the year attributable to owners of the Company	<u>–</u>	<u>(51,365)</u>

	2016 HK\$'000	2015 HK\$'000
<i>Liabilities as at 30 June:</i>		
Current liabilities		
Accruals and other payables	27,618	26,279
Bank borrowings	7,358	7,358
Corporate bonds	45,000	45,000
Tax payable	6,678	6,678
Amounts due to deconsolidated subsidiaries	136,097	136,097
Convertible bonds	<u>701,099</u>	<u>701,099</u>
	<u>923,850</u>	<u>922,511</u>
Net current liabilities	<u>(923,850)</u>	<u>(922,511)</u>
Net liabilities	<u><u>(923,850)</u></u>	<u><u>(922,511)</u></u>

3. Deconsolidation of the subsidiaries

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

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the years ended 30 June 2016 and 2015 and the Group's financial position as at these dates.

4. Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 30 June 2016 and 2015.

5. Related party transactions and disclosures

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 30 June 2016 and 2015 and the related party balances as at 30 June 2016 and 2015 as required by Hong Kong Accounting Standard ("HKAS") 24 (revised) "Related Party Disclosures".

6. Consolidated statement of changes in equity

No sufficient evidence has been provided to satisfy ourselves as to the movements and balances (other than the share capital of approximately HK\$100,177,000 as at 30 June 2016 and 2015 respectively) of reserves as included in the consolidated statement of changes in equity for the two years ended 30 June 2016 and 2015.

7. Other disclosures in the consolidated financial statements

No sufficient evidence has been provided to satisfy ourselves as to the accuracy and completeness of the disclosures in relation to the financial risk management, reserves of the Company, share option scheme, statement of financial position of the Company, and events after the reporting period as disclosed in notes 6, 18, 19, 24, and 25.

Any adjustments to the figures as described from points 1 to 7 above might have a significant consequential effect on the Group's financial performance and cash flows for the two years ended 30 June 2016 and 2015 and the financial position of the Group as at 30 June 2016 and 2015, and the related disclosures thereof in the consolidated financial statements.

MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN BASIS

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

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

DISCLAIMER OF OPINION

Because of the significance of the matters described in the basis for disclaimer of opinion paragraphs and the material uncertainty relating to the going concern basis as described above, we do not express an opinion on the consolidated financial statements as to whether they give a true and fair view of the financial position of the Group as at 30 June 2016 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and whether the consolidated financial statements have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited*Certified Public Accountants***Ng Ka Lok**

Practising Certificate Number P06084

Hong Kong, 11 April 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	7	–	–
Other income	7	1	921
General and administrative expenses		<u>(622)</u>	<u>(10,950)</u>
Loss from operations		(621)	(10,029)
Finance costs	8	<u>–</u>	<u>(46,438)</u>
Loss before tax		(621)	(56,467)
Income tax	9	<u>–</u>	<u>–</u>
Loss and total comprehensive loss for the year attributable to owners of the Company	10	<u><u>(621)</u></u>	<u><u>(56,467)</u></u>
Loss per share	12		
– Basic (HK\$ cents per share)		<u><u>(0.06)</u></u>	<u><u>(5.64)</u></u>
– Diluted (HK\$ cents per share)		<u><u>(0.06)</u></u>	<u><u>(5.64)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current assets			
Other receivables		693	693
Cash and cash equivalents		<u>1,058</u>	<u>340</u>
		<u>1,751</u>	<u>1,033</u>
Current liabilities			
Accruals and other payables	<i>13</i>	30,076	28,737
Bank borrowings	<i>14</i>	7,358	7,358
Corporate bonds	<i>14</i>	45,000	45,000
Tax payable		6,678	6,678
Amounts due to deconsolidated subsidiaries	<i>15</i>	136,097	136,097
Convertible bonds	<i>16</i>	<u>701,099</u>	<u>701,099</u>
		<u>926,308</u>	<u>924,969</u>
Net current liabilities		<u>(924,557)</u>	<u>(923,936)</u>
Net liabilities		<u>(924,557)</u>	<u>(923,936)</u>
Capital and reserves			
Share capital	<i>17</i>	100,177	100,177
Share premium and reserves		<u>(1,024,734)</u>	<u>(1,024,113)</u>
TOTAL DEFICIT		<u>(924,557)</u>	<u>(923,936)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	<u>Share capital</u>	<u>Share premium account</u>	<u>Convertible bond equity reserve</u>	<u>Warrant reserve</u>	<u>Accumulated losses</u>	<u>Total deficit</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 July 2014	100,177	453,352	164,169	2,249	(1,587,416)	(867,469)
Total comprehensive loss for the year	–	–	–	–	(56,467)	(56,467)
Cancellation of unlisted warrants	–	–	–	(1,800)	1,800	–
At 30 June 2015 and 1 July 2015	100,177	453,352	164,169	449	(1,642,083)	(923,936)
Total comprehensive loss for the year	–	–	–	–	(621)	(621)
At 30 June 2016	<u>100,177</u>	<u>453,352</u>	<u>164,169</u>	<u>449</u>	<u>(1,642,704)</u>	<u>(924,557)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*FOR THE YEAR ENDED 30 JUNE 2016*

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Loss before tax	(621)	(56,467)
Adjustments for:		
Interest charged on convertible bonds	–	44,153
Interest on bank borrowings and corporate bonds	–	<u>2,285</u>
Operating loss before working capital changes	(621)	(10,029)
Change in other receivables	–	555
Change in accruals and other payables	<u>1,339</u>	<u>2,233</u>
Net cash generated from/(used in) operating activities	<u>718</u>	<u>(7,241)</u>
Cash flows from financing activities		
Proceeds from issue of corporate bonds	–	10,000
Repayment of bank borrowings	–	(5,951)
Interest expenses paid	–	<u>(104)</u>
Net cash generated from financing activities	<u>–</u>	<u>3,945</u>
Net increase/(decrease) in cash and cash equivalents	718	(3,296)
Cash and cash equivalents at beginning of year	<u>340</u>	<u>3,636</u>
Cash and cash equivalents at end of year	<u><u>1,058</u></u>	<u><u>340</u></u>
Analysis of cash and cash equivalents		
Cash and cash equivalents	<u><u>1,058</u></u>	<u><u>340</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*FOR THE YEAR ENDED 30 JUNE 2016***1. GENERAL INFORMATION**

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

The Company is an investment holding company. The principal activities of the Company’s subsidiary are set out in note 23 to the consolidated financial statements.

2. BASIS OF PREPARATION**Suspension of trading in shares of the Company**

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

Appointment of the joint and several liquidators (the “Liquidators”)

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

The Shares were suspended from trading on the Stock Exchange with effect from 1:00p.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 the Official Receiver was appointed as the provisional liquidator of the Company.

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

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

Listing status of the Company

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

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

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

- i. demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules;
- ii. publish all outstanding financial results and address any audit qualifications; and
- iii. withdraw or dismiss the winding up petition and discharge of the provisional liquidators.

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

Proposed restructuring of the Group

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

- i. Acquisition
 - ii. Capital reorganisation
 - iii. Subscription
 - iv. Public Offer
 - v. Creditors' Scheme
- 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*

- (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\$621,000 for the year ended 30 June 2016 and as at 30 June 2016 the Group had net current liabilities and net liabilities of the same amount of approximately HK\$924,557,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2015. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

4. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

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

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

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

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

Consolidation

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

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

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

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

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

Foreign currency translation*(a) Functional and presentation currency*

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

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

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

(c) Translation on consolidation

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

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

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

Operating leases

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

Recognition and derecognition of financial instruments

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

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

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

Other receivables

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Convertible bonds*(i) Convertible bonds that contain an equity component*

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

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

(ii) Convertible bonds that contain a derivative component

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

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

Other payables

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

Equity instruments

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

Revenue recognition

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

- (a) Rental income is recognised on a straight-line basis over the lease term; and

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

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

(d) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model (the “Binomial Model”), taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company’s shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially

ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

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

Taxation

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

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

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

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

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

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

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

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or

- (iii) is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
 - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

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

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS**Critical judgements in applying accounting policies**

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

Going concern basis

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

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

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

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

(c) Liquidity risk

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

The remaining contractual maturities as at 30 June 2016 and 2015 of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on the contractual maturity date, could not be presented because of insufficient information arising from the loss of books and records of the Group as disclosed in note 2 to the consolidated financial statements.

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

(d) Interest rate risk

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

(i) Interest rate profile

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

	2016		2015	
	Effective interest rate %	HK\$'000	Effective interest rate %	HK\$'000
Fixed rate borrowings:				
Corporate bonds	6.00-7.00	45,000	6.00-7.00	45,000
Variable rate borrowings:				
Bank borrowings	1.07	7,358	1.07	7,358
Total borrowings		52,358		52,358
Fixed rate borrowings as a percentage of total borrowings		85.9%		85.9%

(ii) Sensitivity analysis

At 30 June 2016, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease (2015: increase/decrease) the Group's loss after tax and accumulated loss by approximately HK\$74,000 (2015: HK\$74,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2015.

(e) Categories of financial instruments

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
Other receivables	693	693
Cash and cash equivalents	<u>1,058</u>	<u>340</u>
	<u>1,751</u>	<u>1,033</u>
Financial liabilities:		
Financial liabilities at amortised cost:		
Accruals and other payables	30,076	28,737
Bank borrowings	7,358	7,358
Amounts due to deconsolidated subsidiaries	136,097	136,097
Convertible bonds	701,099	701,099
Corporate bonds	<u>45,000</u>	<u>45,000</u>
	<u>919,630</u>	<u>918,291</u>

(f) Fair values

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

7. REVENUE AND OTHER INCOMERevenue

No sales transactions were concluded by the Group during the two years ended 30 June 2016 and 2015.

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Other income		
Rental income	–	850
Sundry income	<u>1</u>	<u>71</u>
	<u>1</u>	<u>921</u>

8. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	–	427
Interest on convertible bonds	–	44,153
Interest on corporate bonds	<u>–</u>	<u>1,858</u>
	<u>–</u>	<u>46,438</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profits arising in Hong Kong for each of the years ended 30 June 2016 and 2015.

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

	2016 HK\$'000	2015 HK\$'000
Loss before tax	(621)	(56,467)
Notional tax on loss before tax, calculated at the rates applicable to loss in the tax jurisdictions concerned	(102)	(9,317)
Tax effect of non-deductible expenses and non-taxable income	102	9,317
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

10. LOSS FOR THE YEAR

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

	2016 HK\$'000	2015 HK\$'000
Auditor's remuneration	-	-
Operating lease charges: minimum lease payments for land and buildings	230	1,683
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	-	3,359
Retirement benefits scheme contributions	-	129
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

11. DIRECTORS' AND FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) The emoluments of each Director were as follows:

Year ended 30 June 2016

<u>Name of director</u>	<u>Notes</u>	<u>Directors' Fee</u> HK\$'000	<u>Salaries, allowances and benefits in kind</u> HK\$'000	<u>Retirement benefit scheme contributions</u> HK\$'000	<u>Total</u> HK\$'000
Executive Directors:					
Mr. Wu Shaoning	(vii)	-	-	-	-
Ms. Chen Xiao Fang		-	-	-	-
Mr. Zhang Liang	(i)	-	-	-	-
Mr. Xu Jiangtao	(ii)	-	-	-	-
Independent Non-executive Director:					
Ms. Zhao Jianhua	(v)	-	-	-	-
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

Year ended 30 June 2015

<u>Name of director</u>	<u>Directors' Fee</u>	<u>Salaries, allowances and benefits in kind</u>	<u>Retirement benefit scheme contributions</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive Directors:				
Mr. Wu Shaoning	–	280	15	295
Ms. Chen Xiao Fang	–	–	–	–
Mr. Zhang Liang	<i>(i)</i>	–	–	–
Mr. Xu Jiangtao	<i>(ii)</i>	–	–	–
Independent Non-executive Director:				
Mr. Zhang Shaosheng	<i>(iii)</i>	–	–	–
Mr. Wong Kin Tak	<i>(vi)</i>	30	–	30
Mr. Cheung Ka Yue	<i>(iv)</i>	21	–	21
Ms. Zhao Jianhua	<i>(v)</i>	–	–	–
	<u>51</u>	<u>280</u>	<u>15</u>	<u>346</u>

Notes:

- (i) Appointed on 20 October 2014
- (ii) Appointed on 21 November 2014
- (iii) Resigned on 19 November 2014
- (iv) Resigned on 14 November 2014
- (v) Appointed on 14 November 2014
- (vi) Resigned on 9 February 2015
- (vii) Disqualified on 22 July 2015

For the years ended 30 June 2016 and 2015, no emoluments were paid by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any remuneration for the years ended 30 June 2016 and 2015.

For the year ended 30 June 2016, all of the remuneration paid to the directors were fall within HK\$Nil to HK\$1,000,000.

(b) Five highest paid individuals' emoluments

Nil (2015: One) of the five highest paid individuals of the Group were the Directors whose emolument is set out in the above. The details of the remaining employees' emoluments of the Company were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries and other benefits	–	2,767
Contributions to retirement scheme	–	55
	<u>–</u>	<u>2,822</u>

The emoluments of Nil (2015: four) individuals with the highest emoluments are within the following bands:

	2016 <i>Number of individuals</i>	2015 <i>Number of individuals</i>
Nil-HK\$1,000,000	–	4

12. 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share	<u>(621)</u>	<u>(56,467)</u>

Weighted average number of ordinary shares

	Number of shares	
	2016 <i>'000</i>	2015 <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 years ended 30 June 2016 and 2015.

13. ACCRUALS AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Accrued charges	19,828	18,489
Due to a director	<u>10,248</u>	<u>10,248</u>
	<u>30,076</u>	<u>28,737</u>

14. BANK BORROWINGS AND CORPORATE BONDS

	<i>Notes</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Unsecured bank borrowings	<i>(a)</i>	7,358	7,358
Corporate bonds	<i>(b)</i>	<u>45,000</u>	<u>45,000</u>
		<u><u>52,358</u></u>	<u><u>52,358</u></u>

(a) At 30 June 2016, the effective interest rates of the bank borrowings at 1.07% (2015: 1.07%) per annum.

(b) As at 30 June 2016, the Group has eight (2015: eight) unlisted straight bonds issued to eight (2015: eight) independent investors in an aggregate principal amount of HK\$45,000,000 (2015: HK\$45,000,000) (the "Bonds"). The Bonds are unsecured, arranged at fixed interest rates of 6% to 7% per annum and immediately due because of the liquidation of the Company.

15. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

16. CONVERTIBLE BONDS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At 1 July	701,099	656,946
Interest charged	<u>—</u>	<u>44,153</u>
At 30 June	<u><u>701,099</u></u>	<u><u>701,099</u></u>

17. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 30 June 2016 and 2015	<u><u>3,000,000</u></u>	<u><u>300,000</u></u>
	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 July 2014, 30 June 2015, 1 July 2015 and 30 June 2016	<u><u>1,001,765</u></u>	<u><u>100,177</u></u>

Capital management

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

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

18. RESERVES**(a) Group**

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

(b) Company

	<u>Share premium</u>	<u>Contributed surplus</u>	<u>Convertible bond equity reserve</u>	<u>Warrant reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2014	453,352	11,527	164,169	2,249	(1,437,352)	(806,055)
Cancellation of unlisted warrants	-	-	-	(1,800)	1,800	-
Loss for the year	-	-	-	-	(66,543)	(66,543)
At 30 June 2015 and 1 July 2015	453,352	11,527	164,169	449	(1,502,095)	(872,598)
Loss for the year	-	-	-	-	(182)	(182)
At 30 June 2016	<u>453,352</u>	<u>11,527</u>	<u>164,169</u>	<u>449</u>	<u>(1,502,277)</u>	<u>(872,780)</u>

(c) Nature and purpose of reserves of the Group and the Company*(i) Share premium and contributed surplus*

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

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

(ii) Convertible bond equity reserve

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

(iii) Warrant reserve

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

19. SHARE OPTION SCHEME

During the year ended 30 June 2013, a new share option scheme (“New Scheme”) was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2013. During the year ended 30 June 2016 and 2015, no share option was granted to the relevant participants under the New Scheme.

20. AMOUNT DUE TO A DIRECTOR

The amount due to a director, Mr. Wu Shaoning, is included in accruals and other payables (note 13). The amount due to a director is unsecured, interest-free and repayable on demand.

21. RELATED PARTY TRANSACTIONS**Key management personnel remuneration**

Remuneration for key management personnel, including amounts paid to the Directors as disclosed in note 11, is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Short-term employee benefits	–	3,098
Post-employment benefits	–	70
	<u>–</u>	<u>3,168</u>

22. COMMITMENTS**(a) Lease commitments**

As at 30 June 2016 and 2015, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year		
In the second to fifth year inclusive	–	1,611
After five years	–	470
	<u>–</u>	<u>2,081</u>

(b) Capital commitments

At 30 June 2016, there was no significant capital commitments not provided for in the consolidated financial statements (2015: Nil).

23. PARTICULARS OF THE PRINCIPAL SUBSIDIARY OF THE COMPANY

Particulars of the Company's principal subsidiary at 30 June 2016 are as follows:

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

24. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current asset		
Cash and cash equivalents	912	194
Current liabilities		
Accruals and other payables	27,416	26,516
Convertible bonds	701,099	701,099
Corporate bonds	45,000	45,000
	<u>773,515</u>	<u>772,615</u>
Net current liabilities	<u>(772,603)</u>	<u>(772,421)</u>
Net liabilities	<u>(772,603)</u>	<u>(772,421)</u>
Capital and reserves		
Share capital	100,177	100,177
Share premium and reserves	<u>(872,780)</u>	<u>(872,598)</u>
TOTAL DEFICIT	<u>(772,603)</u>	<u>(772,421)</u>

25. EVENTS AFTER THE REPORTING PERIOD

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

26. APPROVAL OF FINANCIAL STATEMENTS

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



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
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)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Agrotech Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages II-36 to II-59, which comprise the consolidated statement of financial position as at 30 June 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 30 June 2016, which forms the basis for the corresponding figures presented in the current year’s consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit and the material uncertainty relating to the going concern basis, details of which are set out in our 2016 auditor’s report.

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

2. Limited accounting books and records of the Group

Due to the insufficiency of supporting documentation and explanations for accounting books and records in respect of the Group for the years ended 30 June 2017 and 2016, we were unable to carry out audit procedures to satisfy ourselves as to whether the following liabilities as at 30 June 2017 and 30 June 2016, and the segment information and other related disclosure notes in relation to the Group, as included in the consolidated financial statements of the Group, have been accurately recorded and properly accounted for in the consolidated financial statements:

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Liabilities as at 30 June:</i>		
Accruals and other payables	27,618	27,618
Borrowings	7,358	7,358
Corporate bonds	45,000	45,000
Tax payable	6,678	6,678
Amounts due to deconsolidated subsidiaries	136,097	136,097
Convertible bonds	<u>701,099</u>	<u>701,099</u>
	<u>923,850</u>	<u>923,850</u>

3. Deconsolidation of the subsidiaries

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

Accordingly, no sufficient evidence has been provided to satisfy ourselves, in relation to the deconsolidated subsidiaries, as to the completeness of the transactions of the Group for the years ended 30 June 2017 and 2016 and the Group's financial position as at these dates.

4. Commitments and contingent liabilities

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of commitments and contingent liabilities as at 30 June 2017 and 2016.

5. Related party transactions and disclosures

No sufficient evidence has been provided to satisfy ourselves as to the existence and completeness of the disclosures of the related party transactions for the years ended 30 June 2017 and 2016 and the related party balances as at 30 June 2017 and 2016 as required by Hong Kong Accounting Standard (“HKAS”) 24 (revised) “Related Party Disclosures”.

6. Consolidated statement of changes in equity

No sufficient evidence has been provided to satisfy ourselves as to the balances (other than the share capital of approximately HK\$100,177,000 as at 30 June 2017 and 2016 respectively) of reserves as included in the consolidated statement of changes in equity for the two years ended 30 June 2017 and 2016.

7. Other disclosures in the consolidated financial statements

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

Any adjustments to the figures as described from points 1 to 7 above might have a significant consequential effect on the Group’s financial performance and cash flows for the two years ended 30 June 2017 and 2016 and the financial position of the Group as at 30 June 2017 and 2016, and the related disclosures thereof in the consolidated financial statements.

8. Material uncertainty related to going concern

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

ZHONGHUI ANDA CPA Limited*Certified Public Accountants***Ng Ka Lok***Audit Engagement Director*

Practising Certificate Number P06084

Hong Kong, 11 April 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue	7	–	–
Other income	7	–	1
Administrative expenses		<u>(17,189)</u>	<u>(622)</u>
Loss from operations		(17,189)	(621)
Finance costs	8	<u>(202)</u>	<u>–</u>
Loss before tax		(17,391)	(621)
Income tax	9	<u>–</u>	<u>–</u>
Loss and total comprehensive loss for the year attributable to owners of the Company	10	<u><u>(17,391)</u></u>	<u><u>(621)</u></u>
Loss per share	11		
– Basic (HK\$ cents per share)		<u><u>(1.74)</u></u>	<u><u>(0.06)</u></u>
– Diluted (HK\$ cents per share)		<u><u>(1.74)</u></u>	<u><u>(0.06)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current assets			
Prepayment and other receivables		15	693
Cash and cash equivalents		<u>4,530</u>	<u>1,058</u>
		<u>4,545</u>	<u>1,751</u>
Current liabilities			
Accruals and other payables	<i>12</i>	35,202	30,076
Borrowings	<i>13</i>	22,417	7,358
Corporate bonds	<i>13</i>	45,000	45,000
Tax payable		6,678	6,678
Amounts due to deconsolidated subsidiaries	<i>14</i>	136,097	136,097
Convertible bonds	<i>15</i>	<u>701,099</u>	<u>701,099</u>
		<u>946,493</u>	<u>926,308</u>
Net current liabilities		<u>(941,948)</u>	<u>(924,557)</u>
Net liabilities		<u>(941,948)</u>	<u>(924,557)</u>
Capital and reserves			
Share capital	<i>16</i>	100,177	100,177
Share premium and reserves		<u>(1,042,125)</u>	<u>(1,024,734)</u>
TOTAL DEFICIT		<u>(941,948)</u>	<u>(924,557)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2017

	<u>Share capital</u>	<u>Share premium account</u>	<u>Convertible bond equity reserve</u>	<u>Warrant reserve</u>	<u>Accumulated losses</u>	<u>Total deficit</u>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 July 2015	100,177	453,352	164,169	449	(1,642,083)	(923,936)
Total comprehensive loss for the year	—	—	—	—	(621)	(621)
At 30 June 2016 and 1 July 2016	100,177	453,352	164,169	449	(1,642,704)	(924,557)
Total comprehensive loss for the year	—	—	—	—	(17,391)	(17,391)
At 30 June 2017	<u>100,177</u>	<u>453,352</u>	<u>164,169</u>	<u>449</u>	<u>(1,660,095)</u>	<u>(941,948)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS*FOR THE YEAR ENDED 30 JUNE 2017*

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities		
Loss before tax and operating loss before working capital changes	(17,391)	(621)
Change in prepayment and other receivables	678	–
Change in accruals and other payables	<u>5,126</u>	<u>1,339</u>
Net cash (used in)/generated from operating activities	<u>(11,587)</u>	<u>718</u>
Cash flows from financing activities		
Proceeds from borrowings	<u>15,059</u>	<u>–</u>
Net cash generated from financing activities	<u>15,059</u>	<u>–</u>
Net increase in cash and cash equivalents	3,472	718
Cash and cash equivalents at beginning of year	<u>1,058</u>	<u>340</u>
Cash and cash equivalents at end of year	<u><u>4,530</u></u>	<u><u>1,058</u></u>
Analysis of cash and cash equivalents		
Cash and cash equivalents	<u><u>4,530</u></u>	<u><u>1,058</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*FOR THE YEAR ENDED 30 JUNE 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. The principal activities of the Company’s subsidiary are set out in note 21 to the consolidated financial statements.

2. BASIS OF PREPARATION**Suspension of trading in shares of the Company**

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

Appointment of the joint and several liquidators (the “Liquidators”)

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

The Shares were suspended from trading on the Stock Exchange with effect from 1:00p.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 the Official Receiver was appointed as the provisional liquidator of the Company.

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

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

Listing status of the Company

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

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

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

- i. demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules;
- ii. publish all outstanding financial results and address any audit qualifications; and
- iii. withdraw or dismiss the winding up petition and discharge of the provisional liquidators.

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

Proposed restructuring of the Group

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

- i. Acquisition
 - ii. Capital reorganisation
 - iii. Subscription
 - iv. Public offer and preferential offering
 - 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*

- (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\$17,391,000 for the year ended 30 June 2017 and as at 30 June 2017 the Group had net current liabilities and net liabilities of the same amount of approximately HK\$941,948,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 July 2016. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's consolidated financial statements and amounts reported for the current year and prior years.

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

4. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

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

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

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

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

Consolidation

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

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

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

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

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

Foreign currency translation*(a) Functional and presentation currency*

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

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

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

(c) Translation on consolidation

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

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

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

Operating leases

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

Recognition and derecognition of financial instruments

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

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

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

Other receivables

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Convertible bonds*(i) Convertible bonds that contain an equity component*

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

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

(ii) Convertible bonds that contain a derivative component

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

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

Other payables

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

Equity instruments

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

Revenue recognition

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

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

Employee benefits*(a) Employee leave entitlements*

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

(d) Equity-settled share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial option pricing model (the “Binomial Model”), taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expenses is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company’s shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Borrowing costs

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

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

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

Taxation

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

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

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

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

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

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

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

Related parties

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

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Company or of a parent of the Company.

- (b) An entity is related to the Group (reporting entity) if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

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

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS

Critical judgements in applying accounting policies

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

Going concern basis

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

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

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

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

(c) Liquidity risk

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

The remaining contractual maturities as at 30 June 2017 and 2016 of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on the contractual maturity date, could not be presented because of insufficient information arising from the loss of books and records of the Group as disclosed in note 2 to the consolidated financial statements.

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

(d) Interest rate risk

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

(i) Interest rate profile

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

	2017		2016	
	Effective interest rate		Effective interest rate	
	%	HK\$'000	%	HK\$'000
Fixed rate borrowings:				
Corporate bonds	6.00-7.00	45,000	6.00-7.00	45,000
Other borrowings	6.00	15,059	–	–
Variable rate borrowings:				
Bank borrowings	1.07	7,358	1.07	7,358
Total borrowings		67,417		52,358
Fixed rate borrowings as a percentage of total borrowings		89.1%		85.9%

(ii) Sensitivity analysis

At 30 June 2017, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease (2016: increase/decrease) the Group's loss after tax and accumulated loss by approximately HK\$74,000 (2016: HK\$74,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting period. The analysis is performed on the same basis for 2016.

(e) Categories of financial instruments

	2017 HK\$'000	2016 HK\$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)		
Other receivables	–	693
Cash and cash equivalents	4,530	1,058
	<u>4,530</u>	<u>1,751</u>
Financial liabilities:		
Financial liabilities at amortised cost:		
Accruals and other payables	35,202	30,076
Borrowings	22,417	7,358
Amounts due to deconsolidated subsidiaries	136,097	136,097
Convertible bonds	701,099	701,099
Corporate bonds	45,000	45,000
	<u>939,815</u>	<u>919,630</u>

(f) Fair values

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

7. REVENUE AND OTHER INCOMERevenue

No sales transactions were concluded by the Group during the two years ended 30 June 2017 and 2016.

	2017 HK\$'000	2016 HK\$'000
Other income		
Sundry income	–	1
	<u>–</u>	<u>1</u>

8. FINANCE COSTS

	2017 HK\$'000	2016 HK\$'000
Interest on other borrowings	202	–
	<u>202</u>	<u>–</u>

9. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong for each of the years ended 30 June 2017 and 2016.

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

	2017 HK\$'000	2016 HK\$'000
Loss before tax	(17,391)	(621)
Notional tax on loss before tax, calculated at the rates applicable to loss in the tax jurisdictions concerned	(2,870)	(102)
Tax effect of non-deductible expenses and non-taxable income	2,870	102
	<u>–</u>	<u>–</u>

10. LOSS FOR THE YEAR

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

	2017 HK\$'000	2016 HK\$'000
Auditor's remuneration	450	–
Auditor's remuneration-under provision in prior years	900	–
Operating lease charges: minimum lease payments for land and buildings	–	230
Staff costs (including directors' remuneration):		
Salaries, bonus and allowances	–	–
Retirement benefits scheme contributions	–	–
	<u>–</u>	<u>–</u>

11. LOSS PER SHARE

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

	2017 HK\$'000	2016 HK\$'000
Loss for the purpose of basic and diluted loss per share	(17,391)	(621)

Weighted average number of ordinary shares

	Number of shares	
	2017 '000	2016 '000
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 years ended 30 June 2017 and 2016.

12. ACCRUALS AND OTHER PAYABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued charges	24,954	19,828
Due to a director	10,248	10,248
	<u>35,202</u>	<u>30,076</u>

13. BORROWINGS AND CORPORATE BONDS

		2017	2016
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unsecured bank borrowings	<i>(a)</i>	7,358	7,358
Corporate bonds	<i>(b)</i>	45,000	45,000
Other borrowings repayable within 1 year	<i>(c)</i>	15,059	–
		<u>67,417</u>	<u>52,358</u>

- (a) At 30 June 2017, the effective interest rates of the bank borrowings are at 1.07% (2016: 1.07%) per annum.
- (b) As at 30 June 2017, the Group has eight (2016: eight) unlisted straight bonds issued to eight (2016: eight) independent investors in an aggregate principal amount of HK\$45,000,000 (2016: HK\$45,000,000) (the “Bonds”). The Bonds are unsecured, arranged at fixed interest rates of 6% to 7% per annum and immediately due because of the liquidation of the Company.
- (c) Other borrowings as at 30 June 2017 are denominated in HK\$, unsecured and bear an interest charge at 6% per annum.

14. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

15. CONVERTIBLE BONDS

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	<u>701,099</u>	<u>701,099</u>

16. SHARE CAPITAL

	Number of	Amount
	shares	HK\$'000
	<i>'000</i>	
Authorised:		
Ordinary shares of HK\$0.10 each		
At 30 June 2017 and 2016	<u>3,000,000</u>	<u>300,000</u>

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	<u>1,001,765</u>	<u>100,177</u>

Capital management

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

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

17. RESERVES

(a) **Group**

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

(b) **Company**

	Share premium	Contributed surplus	Convertible bond equity reserve	Warrant reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2015	453,352	11,527	164,169	449	(1,502,095)	(872,598)
Loss for the year	—	—	—	—	(182)	(182)
At 30 June 2016 and 1 July 2016	453,352	11,527	164,169	449	(1,502,277)	(872,780)
Loss for the year	—	—	—	—	(17,229)	(17,229)
At 30 June 2017	<u>453,352</u>	<u>11,527</u>	<u>164,169</u>	<u>449</u>	<u>(1,519,506)</u>	<u>(890,009)</u>

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

(i) *Share premium and contributed surplus*

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

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

(ii) Convertible bond equity reserve

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

(iii) Warrant reserve

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

18. SHARE OPTION SCHEME

During the year ended 30 June 2013, a new share option scheme (“New Scheme”) was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 19 June 2013. During the year ended 30 June 2017 and 2016, no share option was granted to the relevant participants under the New Scheme.

19. AMOUNT DUE TO A DIRECTOR

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

20. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Borrowings <i>HK\$</i>	Total liabilities from financing activities <i>HK\$</i>
At 1 July 2015, 30 June 2016 and 1 July 2016	7,358	7,358
Changes in cash flows	<u>15,059</u>	<u>15,059</u>
At 30 June 2017	<u><u>22,417</u></u>	<u><u>22,417</u></u>

21. PARTICULARS OF THE PRINCIPAL SUBSIDIARY OF THE COMPANY

Particulars of the Company’s principal subsidiary at 30 June 2017 are as follows:

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

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current assets		
Prepayment	18	–
Cash and cash equivalents	<u>3,849</u>	<u>912</u>
	<u>3,867</u>	<u>912</u>
Current liabilities		
Accruals and other payables	32,541	27,416
Borrowings	15,059	–
Convertible bonds	701,099	701,099
Corporate bonds	<u>45,000</u>	<u>45,000</u>
	<u>793,699</u>	<u>773,515</u>
Net current liabilities	<u>(789,832)</u>	<u>(772,603)</u>
Net liabilities	<u>(789,832)</u>	<u>(772,603)</u>
Capital and reserves		
Share capital	100,177	100,177
Share premium and reserves	<u>(890,009)</u>	<u>(872,780)</u>
TOTAL DEFICIT	<u>(789,832)</u>	<u>(772,603)</u>

23. EVENTS AFTER THE REPORTING PERIOD

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

24. APPROVAL OF FINANCIAL STATEMENTS

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



**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
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)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of China Agrotech Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages II-64 to II-87, which comprise the consolidated statement of financial position as at 30 June 2018, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR DISCLAIMER OF OPINION

1. Opening balances and corresponding figures

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

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

2. Limited accounting books and records of the Group

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

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

3. Deconsolidation of the subsidiaries

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

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

4. Commitments and contingent liabilities

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

5. Related party transactions and disclosures

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

6. Consolidated statement of changes in equity

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

7. Other disclosures in the consolidated financial statements

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

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

8. Material uncertainty related to going concern

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Ng Ka Lok

Audit Engagement Director

Practising Certificate Number P06084

Hong Kong, 11 April 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 30 JUNE 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*FOR THE YEAR ENDED 30 JUNE 2018***1. GENERAL INFORMATION**

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

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

2. BASIS OF PREPARATION**Suspension of trading in shares of the Company**

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

Appointment of the joint and several liquidators (the “Liquidators”)

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

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

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

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

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

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

approximately RMB955 million. In addition, the demand letter demanded the Company to repay Mr. Kwok for another loan of RMB96 million obtained by a PRC subsidiary of the Company from Mr. Kwok pursuant to a loan agreement, under which the Company is a guarantor.

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

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

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

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

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

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

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

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

Listing status of the Company

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

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

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

- i. demonstrate that the Company has sufficient operations or value of assets under Rule 13.24 of the Listing Rules;
- ii. publish all outstanding financial results and address any audit qualifications; and
- iii. withdraw or dismiss the winding up petition and discharge of the provisional liquidators.

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

Proposed restructuring of the Group

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

- i. Acquisition
 - ii. Capital reorganisation
 - iii. Subscription
 - iv. Public offer
 - v. Creditors Scheme
- i. Acquisition

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

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

- ii. Capital reorganisation

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

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

- a. *Capital Reduction*

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

b. *Share Consolidation*

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

c. *Increase in Authorised Capital*

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

iii. *Subscription*

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

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

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

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

iv. *Public offer*

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

v. *Creditors Scheme*

- (i) a cash payment of HK\$80.0 million, being partial proceeds from the Subscriptions (or in case of the lapse of the Ms. Chong’s Subscription, the YM Subscription and the New Placing), will be transferred to the scheme of arrangement to be entered into between the Company and the creditors (subject to the approval by the Grand Court and the High Court, which will be implemented in the Cayman Islands and Hong Kong) (“Creditors’ Scheme”) and held by a new

company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held or nominated by the Scheme Administrators, for distribution to the Creditors subject to adjudication; and

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

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

Deconsolidation of subsidiaries

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

- (1) 福建浩倫農業科技集團有限公司 Fujian Agrotech Holdings Co., Ltd.*
- (2) 福州浩倫作物科學有限公司 Fuzhou Agrotech Crop Science Co., Ltd.*
- (3) 福建浩倫生物工程技術有限公司 Fujian Agrotech Bioengineering Co., Ltd.*
- (4) 江西浩倫農業科技有限公司 Jiangxi Haolun Agrotech Co., Ltd.*
- (5) 湖南浩倫農業科技有限公司 Hunan Haolun Agrotech Co., Ltd.*
- (6) 江蘇浩倫農業科技有限公司 Jiangsu Haolun Agrotech Co., Ltd.*
- (7) 海南浩倫農業科技有限公司 Hainan Haolun Agrotech Co., Ltd.*
- (8) 山西天行若木生物工程開發有限公司 Shanxi Astrowood Bioengineering Development Co., Ltd.*
- (9) 濟南一農化工有限公司 Jinan Yinong Chemical Co., Ltd.*
- (10) 福建省三明市浩倫園藝植保有限公司 Fujian Sanming Agrotech Landscaping and Plant Protection Co., Ltd.*
- (11) 福建浩倫東方資源物產有限公司 Fujian Agrotech Oriental Import and Export Co., Ltd.*
- (12) 山東浩倫農業科技有限公司 Shandong Haolun Agrotech Co., Ltd.*

* *The English name is for identification purpose only*

Going concern basis

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES**Statement of compliance**

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

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

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

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

Consolidation

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

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

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

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

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

Foreign currency translation*(a) Functional and presentation currency*

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

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

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

(c) Translation on consolidation

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

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the foreign currency translation reserve.

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

Operating leases

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

Recognition and derecognition of financial instruments

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

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

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

Other receivables

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Convertible bonds*(i) Convertible bonds that contain an equity component*

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

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

(ii) Convertible bonds that contain a derivative component

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

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

Other payables

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

Equity instruments

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

Revenue recognition

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

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

Employee benefits*(a) Employee leave entitlements*

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

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

(b) Pension obligations

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

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

(c) Termination benefits

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

Borrowing costs

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

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

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

Taxation

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

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

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

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

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

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

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

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).

- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

Impairment of assets

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

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

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS**Critical judgements in applying accounting policies**

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

Going concern basis

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

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Credit risk

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

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

(c) Liquidity risk

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

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

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

(d) Interest rate risk

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

(i) *Interest rate profile*

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

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

(ii) *Sensitivity analysis*

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

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

(e) **Categories of financial instruments**

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

(f) Fair values

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

7. REVENUE

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

8. FINANCE COSTS

	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on other borrowings	<u>967</u>	<u>202</u>

9. INCOME TAX

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

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

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

10. LOSS FOR THE YEAR

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

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

11. LOSS PER SHARE

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the purpose of basic and diluted loss per share	<u>(4,887)</u>	<u>(17,391)</u>

Weighted average number of ordinary shares

	Number of shares	
	2018 <i>'000</i>	2017 <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 years ended 30 June 2018 and 2017.

12. ACCRUALS AND OTHER PAYABLES

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Accrued charges	24,765	24,954
Due to a director	<u>10,248</u>	<u>10,248</u>
	<u>35,013</u>	<u>35,202</u>

13. BORROWINGS AND CORPORATE BONDS

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

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

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

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

14. AMOUNTS DUE TO DECONSOLIDATED SUBSIDIARIES

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

15. CONVERTIBLE BONDS

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	<u>701,099</u>	<u>701,099</u>

16. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.10 each		
At 30 June 2018 and 2017	<u>3,000,000</u>	<u>300,000</u>
	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	<u>1,001,765</u>	<u>100,177</u>

Capital management

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

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

17. RESERVES**(a) Group**

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

(b) Company

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

(c) Nature and purpose of reserves of the Group and the Company*(i) Share premium and contributed surplus*

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

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

(ii) Convertible bond equity reserve

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

(iii) Warrant reserve

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

18. SHARE OPTION SCHEME

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

19. AMOUNT DUE TO A DIRECTOR

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

20. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

21. PARTICULARS OF THE PRINCIPAL SUBSIDIARY OF THE COMPANY

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

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

23. EVENTS AFTER THE REPORTING PERIOD

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

24. APPROVAL OF FINANCIAL STATEMENTS

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

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

		Six months ended	
		31 December	
	<i>Notes</i>	2018	2017
		<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
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		(4,243)	(3,153)
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>(0.42)</u>	<u>(0.31)</u>
– Diluted (HK\$ cents per share)		<u>(0.42)</u>	<u>(0.31)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	As at 31 December 2018	As at 30 June 2018
<i>Note</i>	<i>HK\$'000</i> <i>(Unaudited)</i>	<i>HK\$'000</i> <i>(Audited)</i>
Current assets		
Other receivables	174	176
Cash and cash equivalents	<u>1,231</u>	<u>1,510</u>
	<u>1,405</u>	<u>1,686</u>
Current liabilities		
Accrual 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	<u>701,099</u>	<u>701,099</u>
	<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	<u>(1,051,255)</u>	<u>(1,047,012)</u>
TOTAL DEFICIT	<u>(951,078)</u>	<u>(946,835)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Share capital <i>HK\$'000</i>	Share premium account <i>HK\$'000</i>	Convertible bond equity reserve <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total deficit <i>HK\$'000</i>
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)	<u>100,177</u>	<u>453,352</u>	<u>164,169</u>	<u>449</u>	<u>(1,663,248)</u>	<u>(945,101)</u>
At 1 July 2018						
(audited)	100,177	453,352	164,169	449	(1,664,982)	(946,835)
Total comprehensive loss for the period (unaudited)	—	—	—	—	(4,243)	(4,243)
At 31 December 2018						
(unaudited)	<u>100,177</u>	<u>453,352</u>	<u>164,169</u>	<u>449</u>	<u>(1,669,225)</u>	<u>(951,078)</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

	Six months ended	
	31 December	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Net cash used in operating activities	(3,278)	(2,997)
Net cash generated from/(used in) financing activities	2,999	(204)
Net decrease in cash and cash equivalents	(279)	(3,201)
Cash and cash equivalents at beginning of period	<u>1,510</u>	<u>4,530</u>
Cash and cash equivalents at end of period	<u><u>1,231</u></u>	<u><u>1,329</u></u>
Analysis of cash and cash equivalents		
Cash and cash equivalents	<u><u>1,231</u></u>	<u><u>1,329</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS*FOR THE SIX MONTHS ENDED 31 DECEMBER 2018***1. GENERAL INFORMATION**

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

The Company is an investment holding company 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.

The Interim Financial Statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these Interim Financial Statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except as stated below.

(a) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Group are classified under the category of financial assets at amortised cost.

Financial assets at amortised cost

Financial assets (including other receivables) are classified under this category if they satisfy both of the following conditions:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

(b) Loss allowances for expected credit losses

The Group recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Group measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument (“lifetime expected credit losses”) for trade receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables) has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

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 RMB60,000,000.

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

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

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

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

On 17 August 2015, Mr. Stephen Liu Yiu Keung and Mr. David Yen Ching Wai of Ernst 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 the sale and purchase agreement dated 24 August 2016 as supplemented by the supplemental agreements dated 7 February 2017 (the "Sale and Purchase Agreement") in relation to resumption of the trading in shares of the Company. The details of the conditions precedent and the updates on the proposed restructuring are described in the announcement 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

i. Acquisition

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

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

ii. Capital reorganisation

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

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

- a. Capital Reduction

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

b. Share Consolidation

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

c. Increase in Authorised Capital

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

iii. Subscription

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

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

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

v. Creditors Scheme

- (i) a cash payment of HK\$80.0 million, being partial proceeds from the Subscriptions (or in case of the lapse of the Ms. Chong's Subscription, the YM Subscription and the New Placing), will be transferred to the scheme of arrangement to be entered into between the Company and the creditors (subject to the approval by the Grand Court and the High

Court, which will be implemented in the Cayman Islands and Hong Kong) (“Creditors’ Scheme”) and held by a new company to be incorporated in Hong Kong with limited liability, being a special purpose vehicle held or nominated by the Scheme Administrators, for distribution to the Creditors subject to adjudication; and

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

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

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

2016 Management Discussion and Analysis**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.

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 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.

The latest information and details of the Proposed Restructuring are set out in "Letter from the Liquidators" in this prospectus.

FINANCIAL REVIEW**Overall Results**

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

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

Deconsolidation of Companies Lost Control

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

Revenue and Financial Resources

Based on the aforementioned basis and the books and records available to the Liquidators, for the year ended 30 June 2016, the Group had no turnover (2015: nil) and the Group's net loss was approximately HK\$0.6 million, representing a reduction in loss of about HK\$55.9 million as compared to the Group's net loss of approximately HK\$56.5 million for the year ended 30 June 2015. Such reduction was mainly due to no further finance costs incurred during the year ended 30 June 2016.

Due to the deconsolidation of the subsidiaries of the Company since 1 January 2014, the Liquidators consider that there were no reportable segment for the year ended 30 June 2016.

As at 30 June 2016, the Group had cash and cash equivalents of approximately HK\$1.1 million (2015: HK\$0.3 million). As at 30 June 2016, the Group's current ratio (current assets to current liabilities) was approximately 0.2% (2015: 0.1%).

Indebtedness and Banking Facilities

As at 30 June 2016, the Group had bank and other borrowings of approximately HK\$52.4 million (2015: HK\$52.4 million).

As at 30 June 2016, the Group has eight (2015: eight) unlisted straight bonds to eight (2015: eight) independent investors in an aggregate principal amount of HK\$45,000,000 (2015: HK\$45,000,000) (the “Bonds”). The Bonds are unsecured, arranged at fixed interest rates of 6% to 7% per annum and immediately due because of the liquidation of the Company.

As at 30 June 2016, the Group had (i) expired convertible bonds (due in November 2015) with outstanding principal amount of HK\$609,000,000 which was denominated in Hong Kong dollars and non-interest bearing; and (ii) expired convertible bonds (due in January 2016) with outstanding principal amount of RMB70,000,000 which was denominated in Renminbi and bore a yield-on-maturity/redemption of 6% per annum on a compound basis.

As at 30 June 2016, the Group’s gearing ratio could not be determined because there was a deficit of equity attributable to owners of the Company (2015: 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 30 June 2016, the Group had total assets of approximately HK\$1.8 million (2015: HK\$1.0 million) and total liabilities of HK\$926.3 million (2015: HK\$925.0 million). The net liabilities of the Group as at 30 June 2016 were approximately HK\$924.6 million (2015: net liabilities of approximately HK\$923.9 million).

Capital Structure

As at 30 June 2016, there were 1,001,765,216 ordinary shares in issue.

There was no movement in the issued share capital of the Company during the year ended 30 June 2016.

Commitments

As at 30 June 2016, the Group had no significant outstanding contracted capital commitments.

Charges on Group Assets

There is insufficient information available to the Company to ascertain whether there were any charged assets at a Group level as at 30 June 2016.

Significant Investments and Acquisition

Based on the information available to the Liquidators, the Group did not have any significant investments nor did it make any material acquisitions or disposals of subsidiaries and associates throughout the year ended 30 June 2016.

Reserves

There is insufficient information for the Company to ascertain whether there were any reserves available for distribution as at 30 June 2016. Details of movements in the reserves of the Company during the year are set out in note 17 to the consolidated financial statement for the year ended 30 June 2016.

Contingent Liabilities

There is insufficient information available to the Company to ascertain whether the Group and the Company had any significant contingent liabilities as at 30 June 2016.

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

Remuneration policies and share option scheme

The Group had no salaries and other remunerations incurred for the year ended 30 June 2016.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. During the year ended 30 June 2016, no share option was granted (2015: nil).

Dividends

No dividend is declared for the year ended 30 June 2016 (2015: nil).

Code on Corporate Governance Practices

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

During the year ended 30 June 2016, based on the limited information available, the Company appears 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 nonexecutive directors having appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors must represent at least one-third of the Board pursuant to the Listing Rules 3.10(1) and (2), and 3.10A. Based on the information available to the Liquidators, following the resignation of Mr. Li Yik Sang on 18 June 2014, Mr. Cheung Ka Yue on 14 November 2014, Mr. Zhang Shaosheng on 19 November 2014 and Mr. Wong Kin Tak on 9 February 2015, there is only one independent non-executive director on the Board as at 30 June 2016 and the date of this Report.
- The audit committee should comprise non-executive directors only pursuant to the Listing Rules 3.21. Following to the winding up of the Company, the company has only one independent non-executive director and, thus, the audit committee has not been maintained as at 30 June 2016 and the date of this Report.
- An issuer must present the Environment, Social and Governance Report (the “ESG Report”) in its annual report pursuant to the Listing Rules 13.91. However, the Company is unable to present the required ESG Report in its annual report due to the limited information available to the Liquidators in relation to the Reporting Period.

Audit Committee Review

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

The figures contained in the prospectus set out on pages II-6 to II-31 of the consolidated financial statements for the year ended 30 June 2016 have been reviewed and agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited.

2017 Management Discussion and Analysis**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.

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 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.

The latest information and details of the Proposed Restructuring are set out in "Letter from the Liquidators" in this prospectus.

FINANCIAL REVIEW**Overall Results**

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

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

Deconsolidation of Companies Lost Control

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

Revenue and Financial Resources

Based on the aforementioned basis and the books and records available to the Liquidators, for the year ended 30 June 2017, the Group had no turnover (2016: nil) and the Group's net loss was approximately HK\$17.4 million, representing an increase in loss of about HK\$16.8 million as compared to the Group's net loss of approximately HK\$0.6 million for the year ended 30 June 2016. Such increase in loss was mainly due to the restructuring costs incurred during the year ended 30 June 2017.

Due to the deconsolidation of the subsidiaries of the Company since 1 January 2014, the Liquidators consider that there were no reportable segment for the year ended 30 June 2017.

As at 30 June 2017, the Group had cash and cash equivalents of approximately HK\$4.5 million (2016: HK\$1.1 million). As at 30 June 2017, the Group's current ratio (current assets to current liabilities) was approximately 0.5% (2016: 0.2%).

Indebtedness and Banking Facilities

As at 30 June 2017, the Group had bank and other borrowings of approximately HK\$67.4 million (2016: HK\$52.4 million).

As at 30 June 2017, the Group has eight (2016: eight) unlisted straight bonds to eight (2016: eight) independent investors in an aggregate principal amount of HK\$45,000,000 (2016: HK\$45,000,000) (the “Bonds”). The Bonds are unsecured, arranged at fixed interest rates of 6% to 7% per annum and immediately due because of the liquidation of the Company.

As at 30 June 2017, the Group had (i) expired convertible bonds (due in November 2015) with outstanding principal amount of HK\$609,000,000 which was denominated in Hong Kong dollars and non-interest bearing; and (ii) expired convertible bonds (due in January 2016) with outstanding principal amount of RMB70,000,000 which was denominated in Renminbi and bore a yield-on-maturity/redemption of 6% per annum on a compound basis.

As at 30 June 2017, the Group’s gearing ratio could not be determined because there was a deficit of equity attributable to owners of the Company (2016: 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 30 June 2017, the Group had total assets of approximately HK\$4.5 million (2016: approximately HK\$1.8 million) and total liabilities of approximately HK\$946.5 million (2016: approximately HK\$926.3 million). The net liabilities of the Group as at 30 June 2017 were approximately HK\$941.9 million (2016: net liabilities of approximately HK\$924.6 million).

Capital Structure

As at 30 June 2017, there were 1,001,765,216 ordinary shares in issue.

There was no movement in the issued share capital of the Company during the year ended 30 June 2017.

Commitments

As at 30 June 2017, the Group had no significant outstanding contracted capital commitments.

Charges on Group Assets

There is insufficient information available to the Company to ascertain whether there were any charged assets at a Group level as at 30 June 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; and (iii) the provision of the Cash Advance from the Vendor.

Reserves

There is insufficient information for the Company to ascertain whether there were any reserves available for distribution as at 30 June 2017. Details of movements in the reserves of the Company during the year are set out in note 17 to the consolidated financial statement for the year ended 30 June 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 30 June 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 and share option scheme

The Group had no salaries and other remunerations incurred for the year ended 30 June 2017.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. During the year ended 30 June 2017, no share option was granted (2016: nil).

Dividends

No dividend is declared for the year ended 30 June 2017 (2016: nil).

Code on Corporate Governance Practices

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

During the year ended 30 June 2017, based on the limited information available, the Company appears comply with the principles (the “Principles”) and code provisions (the “Code Provisions”) as set out in the Corporate Governance Code and Corporate Governance Report (the “CG Code”) stipulated by the Stock Exchange in Appendix 14 of the Listing Rules, except for the following:

- The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of the executive directors, during the Reporting Period. The Liquidators unable to verify whether any meeting held during the Reporting Period.
- An issuer must include at least three independent non-executive directors, with at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors must represent at least one-third of the Board pursuant to the Listing Rules 3.10(1) and (2), and 3.10A. Based on the information available to the Liquidators, following the resignation of Mr. Li Yik Sang on 18 June 2014, Mr. Cheung Ka Yue on 14 November 2014, Mr. Zhang Shaosheng on 19 November 2014 and Mr. Wong Kin Tak on 9 February 2015, there is only one independent non-executive director on the Board as at 30 June 2016 and the date of this Report.
- The audit committee should comprise non-executive directors only pursuant to the Listing Rules 3.21. Following to the winding up of the Company, the company has only one Independent Non-Executive Director and, thus, the audit committee has not been maintained as at 30 June 2017 and the date of this Report.
- An issuer must present the Environment, Social and Governance Report (the “ESG Report”) in its annual report pursuant to the Listing Rules 13.91. However, the Company is unable to present the required ESG Report in its annual report due to the limited information available to the Liquidators in relation to the Reporting Period.

Audit Committee Review

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

The figures contained in the prospectus set out on pages II-36 to II-59 of the consolidated financial statements for the year ended 30 June 2017 have been reviewed and agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited.

2018 Management Discussion and Analysis**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.

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 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.

The latest information and details of the Proposed Restructuring are set out in "Letter from the Liquidators" in this prospectus.

FINANCIAL REVIEW**Overall Results**

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

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

Deconsolidation of Companies Lost Control

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

Revenue and Financial Resources

Based on the aforementioned basis and the books and records available to the Liquidators, for the year ended 30 June 2018, the Group had no turnover (2017: nil) and the Group's net loss was HK\$4.9 million, representing a decrease in loss of about HK\$12.5 million as compared to the Group's net loss of approximately HK\$17.4 million for the year ended 30 June 2017.

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

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

Indebtedness and Banking Facilities

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

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

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

Assets and Liabilities

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

Capital Structure

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

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

Commitments

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

Charges on Group Assets

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

Significant Investments and Acquisition

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

Reserves

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

Contingent Liabilities

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

As at the date of these financial statements and based on the proofs of debts, the Liquidators received a total of 45 proofs of debts claiming an aggregate amount of approximately HK\$1,678.0 million against the Company. Out of which, two proofs of debts related to the share registrar fees owed to Hong Kong Registrars Limited and the Company's website subscription fee due to IRASIA. In order to carry out the restructuring, the Liquidators had settled these two proofs of debts in the sum of HK\$111,019.50 which are

considered as necessary costs for the restructuring. After settling the outstanding fees of Hong Kong Registrars Limited and IRASIA, there remain now 43 proofs of debts claiming an aggregate amount of approximately HK\$1,677.9 million. The Liquidators have been collating information about the claims, which will be used to adjudicate such claims as and when appropriate.

Remuneration policies and share option scheme

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

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

Dividends

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

Code on Corporate Governance Practices

CORPORATE GOVERNANCE PRACTICES

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

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

- The chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of the executive directors, during the Reporting Period. The Liquidators unable to verify whether any meeting held during the Reporting Period.
- An issuer must include at least three independent non-executive directors, with at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors must represent at least one-third of the Board pursuant to the Listing Rules 3.10(1) and (2), and 3.10A. Based on the information available to the Liquidators, following the resignation of Mr. Li Yik Sang on 18 June 2014, Mr. Cheung Ka Yue on 14 November 2014, Mr. Zhang Shaosheng on 19 November 2014 and Mr. Wong Kin Tak on 9 February 2015, there is only one independent non-executive director on the Board as at 30 June 2018 and the date of this Report.

- The audit committee should comprise non-executive directors only pursuant to the Listing Rules 3.21. Following to the winding up of the Company, the company has only one Independent Non-Executive Director and, thus, the audit committee has not been maintained as at 30 June 2018 and the date of this Report.
- An issuer must present the Environment, Social and Governance Report (the “ESG Report”) in its annual report pursuant to the Listing Rules 13.91. However, the Company is unable to present the required ESG Report in its annual report due to the limited information available to the Liquidators in relation to the Reporting Period.

Audit Committee Review

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

The figures contained in the prospectus set out on pages II-64 to II-87 of the consolidated financial statements for the year ended 30 June 2018 have been reviewed and agreed by the Group’s auditor, ZHONGHUI ANDA CPA Limited.

2. WORKING CAPITAL

The Liquidators and the Proposed Directors, after due and careful enquiry and based on the assumption that (i) the Proposed Restructuring will be successfully implemented; and (ii) the business of Yu Ming will be carried on as usual, are of the opinion that following the completion of the Acquisition Agreement, Capital Reorganisation, the YM Subscription, the New Placing, the Public Offer and Creditors’ Scheme, after taking into account the financial resources available to the Enlarged Group, including internally generated funds and the available banking facilities, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this prospectus, in the absence of unforeseeable circumstances.

3. INDEBTEDNESS

As at 31 May 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this prospectus, the Enlarged Group had the following indebtedness:

Borrowings*i. The Group*

	<i>HK\$'000</i>
<i>Unsecured and unguaranteed:</i>	
Borrowings	38,508
Corporate bonds	45,000
Amounts due to deconsolidated subsidiaries	136,097
Convertible bonds	<u>701,099</u>
Total	<u><u>920,704</u></u>

ii. Yu Ming

Nil

iii. The Enlarged Group

	<i>HK\$'000</i>
<i>Unsecured and unguaranteed:</i>	
Borrowings	38,508
Corporate bonds	45,000
Amounts due to deconsolidated subsidiaries	136,097
Convertible bonds	<u>701,099</u>
Total	<u><u>920,704</u></u>

Contingent liabilities

As at 31 May 2019, the Group did not have any material contingent liabilities. Referring to Appendix I to this prospectus, Yu Ming has a litigation which Yu Ming may be liable to pay HK\$5,300,000 which is relating to claiming recovery of fees paid to it under two previous engagements together with interest calculated from 8 May 2017 and the plaintiff's costs incurred in the action (the "Action"), the amount of which cannot be quantified yet. Yu Ming has appointed legal advisor to act for it in relation to the Action, and based on the information and documents Yu Ming provided to it, such legal advisor is of the opinion that, the vagaries of litigation aside, Yu Ming

is very likely to successfully defend the Action. The directors of Yu Ming, having obtained the legal opinion from the legal adviser, considered that the ultimate outcome and potential obligation of this case cannot be reliably estimated.

Commitments

Capital commitment

As at 31 May 2019, the Group and Yu Ming did not have any material capital commitment.

Operating lease commitments

As at 31 May 2019, the Group and Yu Ming had significant commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<i>HK\$'000</i>
Within one year	87
In the second to fifth year, inclusive	<u>—</u>
	<u><u>87</u></u>

Disclaimer

Save as disclosed above, as at 31 May 2019, the Group and Yu Ming did not have any debt securities, any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance, outstanding convertible debt securities or other similar indebtedness, any guarantees or other material contingent liabilities.

To the best understanding and knowledge of the Liquidators and the directors of Yu Ming, the Liquidators and the directors of Yu Ming confirm that there had been no material changes to the indebtedness position of the Group and Yu Ming respectively since 31 May 2019 up to the Latest Practicable Date.

INTRODUCTION

The accompanying unaudited pro forma financial information has been prepared to illustrate the effect of the proposed restructuring including, inter alia, (i) Capital Reorganization, (ii) Subscription, (iii) the New Placing, (iv) Creditors' Scheme, (v) Acquisition of the entire issued share capital in Yu Ming Investment Management Limited ("Yu Ming"), and (vi) Public Offer (including the Preferential Offering), which might have affected the financial information of China Agrotech Holdings Limited (to be renamed as Da Yu Financial Holdings Limited) (In Liquidation) (the "Company") and its subsidiaries (hereafter collectively referred to as the "Group"). The Group immediately after the completion of the proposed restructuring is referred to as the "Enlarged Group". Details of the proposed restructuring are contained in the circular of the Company dated 27 April 2019 (the "Circular").

The unaudited pro forma consolidated statement of financial position of the Enlarged Group and the unaudited pro forma consolidated net tangible assets attributable to the owners of the Company as at 31 December 2018 have been prepared based on (1) the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2018 as extracted from the interim report of the Company for the six months ended 31 December 2018 and (2) the audited statement of financial position of Yu Ming as at 31 December 2018, which has been extracted from the accountants' report of Yu Ming as set out in Appendix I to this Prospectus, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the proposed restructuring had been completed on 31 December 2018.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows of the Enlarged Group have been prepared based on (1) the audited consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year ended 30 June 2018 which have been extracted from the annual report of the Company for the year ended 30 June 2018 and (2) the audited statement of profit or loss and other comprehensive income and statement of cash flows of Yu Ming for the year ended 31 December 2018, which have been extracted from the accountants' report of Yu Ming as set out in Appendix I to this Prospectus, and adjusted in accordance with the pro forma adjustments described in the notes thereto, as if the proposed restructuring had been completed on 1 July 2017.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of completion of the proposed restructuring.

The unaudited pro forma financial information has been prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purpose only. Accordingly, as a result of the nature of the unaudited pro forma financial information of the Enlarged Group, it may not give a true picture of the actual financial position, results of operation or cash flows of the Enlarged Group that would have been attained had the proposed restructuring actually occurred on the dates indicated herein. Furthermore, the unaudited pro forma financial information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results of operation or cash flows.

A. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS
AT 31 DECEMBER 2018

	The Group HK\$'000 (Note 1(a))	HK\$'000 (Note 2)	HK\$'000 (Note 3(a))	Pro forma adjustments HK\$'000 (Note 4(a))	HK\$'000 (Note 4(b))	HK\$'000 (Note 6(a))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	Sub-total HK\$'000	Yu Ming HK\$'000 (Note 8)	Sub-total HK\$'000	HK\$'000 (Note 9(a))	HK\$'000 (Note 9(b))	Pro forma adjustments HK\$'000 (Note 10)	HK\$'000 (Note 11(a))	HK\$'000 (Note 12)	HK\$'000 (Note 13)	The Enlarged Group HK\$'000
Non-current assets																		
Property, plant and equipment	-	-	-	-	-	-	-	-	-	76	76	-	-	-	-	-	-	76
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	(16,263)	16,263	16,263	16,263	(16,263)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	50	50	50	-	-	-	-	-	-	50
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	101,007	-	-	-	-	101,007
Goodwill	-	-	-	-	-	-	-	-	-	-	-	-	305,659	-	-	-	-	305,659
	-	-	-	-	-	-	-	-	16,389	16,389	16,389	-	-	-	-	-	-	406,792
Current assets																		
Trade and other receivables and deposits paid	174	174	5,294	174	5,294	5,468	5,468	5,468	5,468	5,294	5,468	-	-	-	-	-	-	10,043
Financial asset at fair value through profit or loss	-	-	377	-	377	377	377	(377)	377	377	377	(377)	-	-	-	-	-	-
Amount due from Yu Ming's fellow subsidiary	-	-	4,575	-	4,575	4,575	4,575	4,575	4,575	4,575	4,575	-	-	-	-	-	-	-
Taxation recoverable	-	-	2,178	-	2,178	2,178	2,178	2,178	2,178	2,178	2,178	-	-	-	-	-	-	2,178
Bank and cash balances	1,231	3,841	82,937	414,673	(80,000)	339,162	(583)	(80,000)	422,099	414,673	339,162	(59,946)	(400,000)	22,500	123,173	(49,791)	-	58,035
	1,405	3,841	82,937	414,673	(80,000)	339,162	(583)	(80,000)	422,099	95,361	339,336	(59,946)	(400,000)	22,500	123,173	(49,791)	-	70,256

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP

	The Group HK\$'000 (Note 1(a))	Pro forma adjustments			Sub-total	Yu Ming HK\$'000 (Note 8)	Sub-total	Pro forma adjustments			Sub-total	Yu Ming HK\$'000 (Note 9(a))	Sub-total	Pro forma adjustments			Sub-total	Yu Ming HK\$'000 (Note 10)	Sub-total	Yu Ming HK\$'000 (Note 11(a))	Sub-total	Yu Ming HK\$'000 (Note 12)	Sub-total	Yu Ming HK\$'000 (Note 13)	The Enlarged Group HK\$'000	
		HK\$'000 (Note 2)	HK\$'000 (Note 3(a))	HK\$'000 (Note 4(a))	HK\$'000 (Note 4(b))	HK\$'000 (Note 6(a))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))	HK\$'000 (Note 7(a))	HK\$'000 (Note 7(b))
Current liabilities																										
Contract liabilities	35,411		27,031		(32,738)	27,031	(2,673)																		16,456	
Accruals and other payables	28,198				(7,358)	24,681	(7,358)																		34,005	
Borrowings	45,000	3,841			(45,000)																				-	
Corporate bonds	6,678				(6,678)																				-	
Tax payable	-																								-	
Amount due to Yu Ming's holding company	136,097				(136,089)			(8)																	-	
Amounts due to deconsolidated subsidiaries	701,099				(701,099)																				-	
Convertible bonds																									-	
	952,483		27,031		(701,099)	51,712	(2,673)																		50,461	
Net current (liabilities)/assets	(951,078)		27,031		(701,099)	287,624	(2,673)																		19,795	
Total assets less current liabilities	(951,078)		27,031		(701,099)	287,624	(2,673)																		426,587	
Non-current liabilities																										
Deferred tax liabilities	-																								16,666	
NET (LIABILITIES)/ASSETS	(951,078)		27,031		(701,099)	287,624	(2,673)																		409,921	
Capital and reserves																										
Issued shares	100,177					89,763																				113,933
Share premium	453,352					334,928																				433,931
Reserves	(1,504,607)		(27,031)		698,845	(137,067)	152,215																		(137,943)	
TOTAL (DEFICIT)/EQUITY	(951,078)		(27,031)		698,845	287,624	152,215																		409,921	

B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 30 JUNE 2018

	The Group HK\$'000 (Note 1(b))	Pro forma adjustments HK\$'000 (Note 3(b))	Pro forma adjustments HK\$'000 (Note 7(a))	Sub-total HK\$'000 (Note 7(b))	Yu Ming HK\$'000 (Note 8)	Sub-total HK\$'000 (Note 9(c))	Pro forma adjustments HK\$'000 (Note 12)	The Enlarged Group HK\$'000
Revenue	-	-	-	-	59,577	59,577	-	59,577
Cost of sales	-	-	-	-	-	-	-	-
Gross profit	-	-	-	-	59,577	59,577	-	59,577
Other revenue and other net income	-	-	-	-	3,163	3,163	-	3,163
Other expenses	-	-	-	-	(3,256)	(3,256)	-	(3,256)
Gain on debt restructuring	-	-	152,215	851,060	-	851,060	-	851,060
General and administrative expenses	(3,920)	(27,031)	698,845	(30,951)	(16,861)	(47,812)	(14,338)	(62,150)
(Loss)/profit from operations	(3,920)	-	-	820,109	42,623	862,732	-	848,394
Finance costs	(967)	-	-	(967)	-	(967)	(2,408)	(3,375)
(Loss)/profit before tax	(4,887)	-	-	819,142	42,623	861,765	-	845,019
Income tax expense	-	-	-	-	(6,525)	(6,525)	2,366	(4,159)
(Loss)/profit for the year	(4,887)	-	-	819,142	36,098	855,240	-	840,860

	The Group HK\$'000 (Note 1(b))	Pro forma adjustments HK\$'000 (Note 3(b))	Pro forma adjustments HK\$'000 (Note 7(a))	Pro forma adjustments HK\$'000 (Note 7(b))	Sub-total HK\$'000	Yu Ming HK\$'000 (Note 8)	Sub-total HK\$'000	Pro forma adjustments HK\$'000 (Note 9(c))	Pro forma adjustments HK\$'000 (Note 12)	The Enlarged Group HK\$'000
Other comprehensive loss:										
<i>Items that may be reclassified subsequently to profit or loss:</i>										
Reclassification adjustment for the realisation upon redemption of financial assets at fair value through other comprehensive income	-				-	60	60			60
Change in fair value of financial assets at fair value through other comprehensive income offset by loss allowance for excepted credit losses	-				-	(701)	(701)			(701)
Other comprehensive loss for the year, net of tax	-				-	(641)	(641)			(641)
Total comprehensive (loss)/income for the year attributable to the owners of the Company	(4,887)	(27,031)	152,215	698,845	819,142	35,457	854,599	(11,972)	(2,408)	840,219

C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE ENLARGED GROUP FOR THE
YEAR ENDED 30 JUNE 2018

	The Group HK\$'000 (Note 1(b))	Pro forma adjustments HK\$'000 (Note 2) (Note 3(b)) (Note 6(b)) (Note 7(a)) (Note 7(b))	Sub-total HK\$'000	Yu Ming HK\$'000 (Note 8)	Sub-total HK\$'000	Pro forma adjustments HK\$'000 (Note 9(b)) (Note 9(c)) (Note 10) (Note 11(b)) (Note 12)	Pro forma adjustments HK\$'000 (Note 13)	The Enlarged Group HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES								
(Loss)/profit before tax	(4,887)	(27,031)	819,142	42,623	861,765	(14,338)	(2,408)	845,019
Adjustments for:								
Bank interest income	-		-	(1,783)	(1,783)			(1,783)
Finance costs	-		-	-	-		2,408	2,408
Depreciation and amortisation	-		-	33	33	14,338		14,371
Realised gain on redemption of financial assets at fair value through other comprehensive income	-		-	(1,237)	(1,237)			(1,237)
Fair value loss on financial assets at fair value through profit or loss	-		-	378	378			378
Gain on debt restructuring	-	(152,215)	(851,060)	-	(851,060)			(851,060)
Exchange loss	-		-	(312)	(312)			(312)
Operating cash flows before working capital changes	(4,887)		(31,918)	39,702	7,784			7,784
Changes in trade and other receivables and deposit paid	(161)		(161)	(2,353)	(2,514)		2,887	373
Change in amount due from Yu Ming's fellow subsidiary	-		-	2,887	2,887		(2,887)	-
Change in contract liabilities	-		-	(8,453)	(8,453)			(8,453)
Changes in accruals and other payables	(189)	27,031	26,842	(11,647)	15,195		58	15,253
Changes in amount due to Yu Ming's holding company	-		-	58	58		(58)	-
Cash (used in)/generated from operations	(5,237)		(5,237)	20,194	14,957			14,957
Tax paid	-		-	(6,762)	(6,762)			(6,762)
Interest received	-		-	1,783	1,783			1,783
Net cash (used in)/generated from operating activities	(5,237)		(5,237)	15,215	9,978			9,978

APPENDIX III

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group HK\$'000 (Note 1(b))	Pro forma adjustments			Sub-total HK\$'000	Yu Ming HK\$'000 (Note 8)	Sub-total HK\$'000	Pro forma adjustments			The Enlarged Group HK\$'000 (Note 13)	
	(Note 2)	(Note 3(b))	(Note 6(b))	(Note 7(a))	(Note 7(b))	(Note 8)	(Note 9(a))	(Note 9(b))	(Note 9(c))	(Note 10)	(Note 11(b))	(Note 12)
CASH FLOWS FROM INVESTING ACTIVITIES												
Purchase of property, plant and equipment	-	-	-	-	-	(55)	(55)	-	-	-	-	-
Proceeds from redemption financial assets at fair value through other comprehensive income	-	-	-	-	-	8,675	8,675	-	-	-	-	-
Interest received from financial assets at fair value through other comprehensive income	-	-	-	(583)	-	1,356	1,356	-	-	-	-	-
Disposal of subsidiaries to Creditors' Scheme	-	-	-	(583)	(583)	-	(583)	(142,254)	-	-	-	-
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-
Net cash generated from/(used in) investing activities	-	-	-	(583)	(583)	9,976	9,393	-	-	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES												
Advances from the Vendor	2,217	3,841	-	-	6,058	-	6,058	-	22,500	-	-	-
Repayment to the Vendor	-	-	-	-	-	-	-	-	-	(49,791)	-	-
Net proceeds from Subscription and New Placing	-	-	414,673	-	414,673	-	414,673	-	-	-	-	-
Net proceeds from public offer	-	-	-	-	(80,000)	-	(80,000)	-	-	123,173	-	-
Payment to Creditors' Scheme	-	-	-	(80,000)	(80,000)	-	(200,000)	-	-	-	-	-
Dividends paid to the Vendor	-	-	-	-	-	(200,000)	(200,000)	-	-	-	-	-
Net cash generated from/(used in) financing activities	2,217	3,841	414,673	(80,000)	340,731	(200,000)	140,731	-	-	-	-	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	(3,020)	4,530	-	-	334,911	(174,809)	160,102	-	-	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,530	4,530	257,746	-	4,530	257,746	262,276	(257,746)	-	-	-	-
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,510	1,510	82,937	(80,000)	339,441	82,937	422,378	(400,000)	-	-	-	-
ANALYSIS OF CASH AND CASH EQUIVALENTS												
Bank and cash balances	1,510	3,841	414,673	(583)	339,441	82,937	422,378	(400,000)	22,500	123,173	(49,791)	118,260

**D. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF
THE ENLARGED GROUP**

- (1) (a) For preparation of unaudited pro forma consolidated statement of financial position, the figures are extracted from the unaudited condensed consolidated statement of financial position of the Group for the six months ended 31 December 2018, as set out in the published interim report of the Company for the six months ended 31 December 2018.
- (b) For preparation of unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows, the figures are extracted from the audited consolidated financial statements of the Group for the year ended 30 June 2018, as set out in the published annual report of the Company for the year ended 30 June 2018.
- (2) This adjustment represents the Cash Advance of HK\$3,841,000 made by the Vendor to the Company pursuant to the Supplemental Acquisition Agreement for the settlement of professional fees to be incurred by the Company and/or the Liquidators.
- (3) (a) This adjustment represents the estimated professional fees and expenses of HK\$27,031,000 to be additionally incurred by the Company relating to the Capital Reorganization, Creditors' Scheme and Acquisition as if they had been taken place on 31 December 2018.
- (b) This adjustment represents the estimated professional fees and expenses of HK\$27,031,000 to be additionally incurred by the Company relating to the Capital Reorganization, Creditors' Scheme and Acquisition as if they had been taken place on 1 July 2017.
- (4) (a) This adjustment represents the effect of the Capital Reduction where the nominal value of each issued and unissued Share will be reduced from HK\$0.10 to HK\$0.01 and the issued share capital of the Company will be cancelled to the extent of HK\$0.09 of each existing Share in issue. The total amount of HK\$90,159,000 arising from the Capital Reduction will be eliminated an equivalent amount of the reserves of the Company in a manner consistent with the Companies Law of the Cayman Islands.
- (b) This adjustment represents the share premium cancellation under which the entire amount of approximately HK\$453,352,000 standing to the credit of the share premium account of the Company will be cancelled and applied to set off part of the accumulated losses of the Company.
- (5) Share Consolidation will be taken place whereby every 10 issued shares of HK\$0.01 each will be consolidated into 1 New Share of HK\$0.10 each subsequent to the Capital Reduction.

- (6) (a) This adjustment represents the effect of the subscription of 284,750,000 Subscription Shares at HK\$0.52 per Subscription Share with the par value of HK\$0.1 each (the “Subscription”) and placing of the 512,698,586 Subscription Shares at HK\$0.52 per New Placing Share with the par value of HK\$0.1 each (the “New Placing”). As a result of the Subscription and the New Placing, the Group will raise net proceeds of HK\$414,673,000. The completion of the Subscription and the New Placing will result in the increase in the share capital of HK\$79,745,000 and the share premium of HK\$334,928,000 as if the Subscription and the New Placing had completed on 31 December 2018.
- (b) This adjustment represents the net proceeds of HK\$414,673,000 as if the Subscription and the New Placing had completed on 1 July 2017.
- (7) (a) This adjustment represents part of the Creditors’ Scheme where the Company will transfer the entire equity interests of the existing subsidiaries, which are directly or indirectly held by the Company (“Excluded Companies”), to the Scheme Company of the administrators of the Creditors’ Scheme at a cash consideration of HK\$1.

HK\$’000

Net liabilities of the Excluded Companies	152,215
Less: Consideration received arising from the transfer of the equity interests of the Excluded Companies	<u>—</u>
Gain on debt restructuring*	<u><u>152,215</u></u>

- (b) This adjustment represents the cash payment of HK\$80 million transferred to the Creditors’ Scheme for settlement of liabilities of the Company under which its accruals and other payables, corporate bonds, amounts due to deconsolidated subsidiaries and convertible bonds will be compromised and discharged in full.

HK\$’000

Accruals and other payables	32,738
Corporate bonds	45,000
Amounts due to deconsolidated subsidiaries	8
Convertible bonds	701,099
Less: Cash payment in settlement of debt restructuring	<u>(80,000)</u>
Gain on debt restructuring*	<u><u>698,845</u></u>

* Assuming the gain on debt restructuring is materially the same as if the disposal of the Excluded Companies had been taken place on 1 July 2017 or 31 December 2018.

- (8) The figures have been extracted from the accountants' report of Yu Ming as set out in Appendix I to this Prospectus, where the balances extracted from the statement of financial position of Yu Ming were as at 31 December 2018 and the amounts extracted from the statement of profit or loss and other comprehensive income and statement of cash flows of Yu Ming were for the year ended 31 December 2018.
- (9) This adjustment represents the Acquisition of the entire issued share capital of Yu Ming:
- (a) In accordance with the Acquisition Agreement, the Vendor shall maintain the net asset value of Yu Ming to no less than HK\$10,000,000. An amount of HK\$76,586,000 would be declared as dividend to the Vendor immediately before the completion of the Acquisition as if it had been taken place on 31 December 2018.

On the same date, Yu Ming will pay out such dividend in the forms of cash of HK\$59,946,000 and of distribution in species of financial assets at fair value through other comprehensive income of HK\$16,263,000 and financial asset at fair value through profit or loss of HK\$377,000. It is assuming that the change in fair value of financial assets at fair value through other comprehensive income and financial asset at fair value through profit or loss is minimal.

- (b) Under Hong Kong Financial Reporting Standard 3 (Revised) Business Combinations, the Group will apply the acquisition method to account for the Acquisition in the consolidated financial statements of the Group. The goodwill arising from the Acquisition is calculated as follows:

	<i>HK\$'000</i>
Net assets of Yu Ming acquired after declaring the dividend	10,000
Intangible assets	101,007
Goodwill	305,659
Deferred tax	<u>(16,666)</u>
Consideration	<u>400,000</u>
Satisfied by:	
Cash	<u>400,000</u>

Deferred tax amounting to approximately HK\$16,666,000 is calculated based on the fair values of intangible assets of approximately HK\$101,007,000 multiplied by Hong Kong tax rate of 16.5%.

For the purpose of the preparation of the Unaudited Pro Forma Financial Information, the Liquidators have assessed whether the intangible assets and goodwill would be impaired as at 31 December 2018 on a pro forma basis in accordance with Hong Kong Accounting Standard 36 (“HKAS 36”) “Impairment of Assets” and concluded that there is no impairment of the intangible assets and goodwill arising on the Acquisition as at 31 December 2018, and the Company’s reporting accountant has agreed with the relevant assessments. The Company will adopt consistent accounting policies, principal assumptions and valuation methods as used in the Unaudited Pro Forma Financial Information to assess impairment of the intangible assets and goodwill arising from Acquisition in future financial statements.

The actual amount of the intangible assets and goodwill arising from the Acquisition at the date of completion may be different from that presented above and the difference may be significant.

- (c) This adjustment represents the intangible assets, including backlog, investment management agreement, trade name and SFC Licenses which have been identified with the fair values of approximately HK\$9,864,000, HK\$17,772,000, HK\$69,642,000 and HK\$3,729,000 respectively, are estimated to have a useful life of 2 years for backlog and 3 years for investment management agreement, 20 years for trade name and infinite life for SFC Licenses respectively. The total amortisation charge of approximately HK\$14,338,000 is therefore charged to the pro forma consolidated statement of profit or loss and other comprehensive income immediately after Acquisition. The related tax effect on the unaudited pro forma consolidated statement of profit or loss arising from the amortisation of above intangible assets is approximately HK\$2,366,000. This adjustment has a continuing effect on the financial statements of the Enlarged Group in subsequent years. Yu Ming is regarded as the CGU which comprises of goodwill. Both the discount rate and the long term sustainable growth rate are the key parameters in the valuation as they are very sensitive to the recoverable amount of CGU. The sensitivity analysis and headroom of the recoverable amount are presented on pages III-17 to III-18. For conservative reason, long-term sustainable growth rate of 3% is assumed to be associated with the inflation. The discount rate adopted in valuation of Yu Ming as of 31 May 2017, 31 October 2017, 31 December 2017, 30 June 2018 and 31 December 2018 was 14.22%, 14.68%, 14.92%, 14.53% and 14.32%, respectively. Changes in discount rate during last 19 months was less than 1%, it is therefore considered that any significant change in discount rate is unlikely to take place. In the view of the conservative assumption in long-term sustainable growth rate and considerably stable discount rate, the possibility of any changes in the key parameters that would cause the carrying amount of the CGU exceeds its recoverable amount is considered to be low. It is considered that there is unlikely that a reasonably possible change in the key parameters would cause the carrying amount of the CGU exceeds its recoverable amount.

- (d) The valuation of the intangible assets is based on the assumption that there would be no material changes in the existing political, legal, fiscal, taxation and economic conditions in Hong Kong where Yu Ming is located and carrying on its businesses. The valuation methodologies and major assumptions of the intangible assets and goodwill are as follows:

1. Backlog

During the Track Record Period, Yu Ming has entered into eleven mandates in relation to provision of transaction financial advisory services and such services of which have not been fully performed as at 31 December 2018 (collectively the “Backlog”). Yu Ming expects to earn future profit on fulfilling the Backlog in the near future.

The valuation of the Backlog used incremental income method under income approach. Major assumptions used in the incremental income method included:

Income	Unbilled advisory fee income from the signed mandates provided by the management of Yu Ming.
Useful Life	2 years, which is the estimated remaining service completion period of these mandates.
Operating Expenses Rate	38% of income, which is referenced to historical profit margins of the corporate finance services segment.
Discount Rate	13.32%

2. Management Agreement

Yu Ming has entered into the Management Agreement with SHK in relation to provision of management services. Under the Management Agreement, Yu Ming agrees to provide investment management services to SHK from 1 January 2019 to 31 December 2021.

The valuation of the Management Agreement used incremental income method under income approach. Major assumptions used in the incremental income method included:

Income	The management fee income, performance income and sundry income estimated by the management of Yu Ming.
Useful Life	3 years, with reference to the remaining service period of the Management Agreement which ends on 31 December 2021.
Operating Expenses Rate	53% of income, which is referenced to historical profit margins of the asset management segment.
Discount Rate	14.32%

3. Trade Name

Yu Ming has carried out businesses under its trade name of “Yu Ming” (“Trade Name”) in Hong Kong since its incorporation in 1996. With great effort in providing quality services, the trade name is well recognised in the corporate finance advisory and asset management industry in Hong Kong where Yu Ming is conducting businesses.

The Trade Name was valued by using the Relief from Royalty Method under income approach. Major assumptions used in the Relief from Royalty Method included:

Royalty Savings	15.83% of the total budgeted revenue provided by the management of Yu Ming (excluding revenue generated by Backlog and the Management Agreement). The 15.83% royalty rate is benchmarked with the relevant transactions and within the reasonable range.
Useful Life	20 years, considering that Yu Ming has already been conducting business under the Trade Name for more than 20 years.
Discount Rate	14.32%

20 years useful life of Trade Name

The valuation of the Trade Name is performed by using a Relief from Royalty Method under income approach. In determination of useful life of Trade Name, and 1) the value of cashflow contributed by Trade Name and 2) historical years of operation have been considered.

1) Value of cashflow contributed by Trade Name

Cashflow contributed by Trade Name would tend to minimal in the long run, a limited life expectancy of Trade Name is implied. Cashflow contributed by Trade Name/revenue is expected to drop from around 10% in early projection period to around 1% in year 20.

2) Historical years of operation

Yu Ming has carried out businesses under its Trade Name of “Yu Ming” in Hong Kong since its incorporation in 1996 (ie. 22 years) with success and known publicly. Taking the historical operation record into account, it is reasonable to assume Yu Ming would continue to carry out its businesses under the Trade Name of “Yu Ming” in the future for more than 20 years.

For conservative purpose, we assume the Trade Name has 20 years conservatively by referring to the historical record as its remaining useful life.

4. SFC Licenses

Yu Ming held the SFC licenses that were essential for carrying out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) under the SFO (collectively the “SFC Licenses”). By holding the SFC Licenses, Yu Ming would avoid the expenditure that was required to incur for obtaining the SFC Licenses.

Intangible assets that have a finite life are amortised over its estimated useful life and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Intangible assets that have an indefinite life are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

5. Goodwill

Goodwill arising from the business combination is allocated to the cash generating units (the “CGU”) that are expected to benefit from that business combination. The recoverable amount of the CGU is determined on the basis of its value in use using discounted cash flow method. The impairment calculation used cash flow projections based on approved financial budgets covering a 5-year period for CGU, with discount rate of 14.32%. The cash flows beyond the 5-year period were extrapolated using a long term sustainable growth rate of 3% per annum.

Goodwill is calculated from the consideration of HK\$400,000,000 after deducting the fair value of the Backlog, Management Agreement, Trade Name, SFC Licenses, deferred tax liabilities and net assets of Yu Ming (after declaring the dividend) of approximately HK\$9,864,000, HK\$17,772,000, HK\$69,642,000, HK\$3,729,000, HK\$16,666,000 and HK\$10,000,000 respectively.

Goodwill is tested for impairment annually, or by the end of the year when there is an indication that the unit may be impaired.

Sensitivity analysis

1. Equity Interest in Yu Ming

Both the discount rate and the long term sustainable growth rate adopted play pivotal roles in the valuation as they are very sensitive to the value in use of 100% equity interests in Yu Ming. The value in use of 100% equity interests in Yu Ming under different combinations of the discount rate and the long term sustainable growth rate are presented below:

Discount Rate (%)	Equity Interest in Yu Ming (HKD)				
	Long Term Sustainable Growth Rate (%)				
	2.0%	2.5%	3.0%	3.5%	4.0%
16.32%	340,765,000	347,419,000	354,573,000	362,285,000	370,622,000
15.32%	362,666,000	370,614,000	379,208,000	388,529,000	398,673,000
14.32%	388,117,000	397,726,000	408,185,000	419,609,000	432,141,000
13.32%	418,059,000	429,841,000	442,764,000	457,003,000	472,770,000
12.32%	453,798,000	468,486,000	484,750,000	502,858,000	523,142,000

Post-tax discount rate is applied in the valuation. Pre-tax discount rate derived from a gross up post-tax discount rate is 16.84%. A post-tax rate grossed up by tax is considered to be a reasonable estimate of the pre-tax rate as discounting post-tax cash flows at a post-tax discount rate and discounting pre-tax cash flows at a pre-tax discount rate give the same result in this case.

The headroom (HKD) are presented below:

Discount Rate (%)	Long Term Sustainable Growth Rate (%)				
	2.0%	2.5%	3.0%	3.5%	4.0%
16.32%	(59,235,000)	(52,581,000)	(45,427,000)	(37,715,000)	(29,378,000)
15.32%	(37,334,000)	(29,386,000)	(20,792,000)	(11,471,000)	(1,327,000)
14.32%	(11,883,000)	(2,274,000)	8,185,000	19,609,000	32,141,000
13.32%	18,059,000	29,841,000	42,764,000	57,003,000	72,770,000
12.32%	53,798,000	68,486,000	84,750,000	102,858,000	123,142,000

2. *Backlog*

The discount rate adopted plays a pivotal role in the valuation as it affects the fair value of the Backlog. The fair values of the Backlog under different combinations of the discount rate are presented below:

Discount Rate (%)	Backlog (HKD)
11.32%	10,036,000
12.32%	9,949,000
13.32%	9,864,000
14.32%	9,780,000
15.32%	9,698,000

3. *Management Agreement*

The discount rate adopted plays a pivotal role in the valuation as it affects the fair value of the Management Agreement. The fair values of the Management Agreement under different combinations of the discount rate are presented below:

Discount Rate (%)	Management Agreement (HKD)
12.32%	18,222,000
13.32%	17,994,000
14.32%	17,772,000
15.32%	17,555,000
16.32%	17,344,000

4. *Trade Name*

Both the discount rate and the royalty rate adopted play pivotal roles in the valuation as they are very sensitive to the fair value of the Trade Name. The fair values of the Trade Name under different combinations of the discount rate and the royalty rate are presented below:

Sensitivity Analysis of the Trade Name (Discount Rate)

Discount Rate (%)	Trade Name (HKD)
12.32%	79,738,000
13.32%	74,420,000
14.32%	69,642,000
15.32%	65,338,000
16.32%	61,450,000

Sensitivity Analysis of the Trade Name (Royalty Rate)

Royalty Rate (%)	Trade Name (HKD)
14.83%	65,215,000
15.33%	67,428,000
15.83%	69,642,000
16.33%	71,856,000
16.83%	74,070,000

5. *SFC Licenses*

Factual input of salaries of 3 responsible officers adopted in the calculation of cost of replacing the licenses play a pivotal role in the valuation as they are very sensitive to the fair value of the SFC Licenses. The fair value of the SFC Licenses under different salary level are presented below:

Sensitivity Analysis of the SFC Licenses

Percentage Change in salary (%)	SFC Licenses (HKD)
Salary decreased by 3%	3,632,000
Salary decreased by 2%	3,664,000
Salary decreased by 1%	3,697,000
Current Salary Level	3,729,000
Salary increased by 1%	3,761,000
Salary increased by 2%	3,793,000
Salary increased by 3%	3,825,000

(10) This adjustment represents the Cash Advance of HK\$22.5 million made by the Vendor to the Company pursuant to the Supplemental Acquisition Agreement and the Third Supplement Acquisition Agreement for the settlement of professional fees to be incurred by the Company and/or the Liquidators. The Cash Advance shall be provided to the Company in the following manners:

- (i) a sum of HK\$8.5 million is payable by the Vendor to the Company within three Business Days after the Stock Exchange has conditionally granting the listing of and permission to deal in the New Shares to be allotted and issued under the Subscription and the Public Offer, and the Resumption; and
- (ii) a sum of HK\$14 million is payable by the Vendor to the Company on the date of commencement of trading of the New Shares to be allotted and issued under the Subscription and the Public Offer.

(11) (a) The adjustment represents the effect of the Public Offer (including the preferential offering) 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 under the Preferential Offering on the basis of 3 Offer Shares for every 2 New Shares, at the Offer Price of HK\$0.52 for each Offer Share. The completion of the Public Offer will result in the increase in the share capital of HK\$24,170,000 and the share premium of HK\$99,003,000 (deducting 2% underwriting commission of HK\$2,514,000)

as if the Public Offer had completed on 31 December 2018. The underwriting commission is capital nature, was not adjusted in the pro forma consolidated statement of profit or loss and deducted of share premium directly.

- (b) The adjustment represents the net proceeds of approximately HK\$123,173,000 (gross proceeds of HK\$125,687,000 deducting 2% underwriting commission of HK\$2,514,000 paid to the underwriter) from the Public Offer as if the Public Offer has completed on 1 July 2017.

- (12) The adjustment represents repayment of the Cash Advance to the Vendor of HK\$47,181,000 which advanced from Vendor since February 2017 with interest rate of 6% per annum. The interest expenses of approximately HK\$2,610,000 is calculated based on the drawdown dates and the expected repayment date of 26 July 2019.

The interest expenses is calculated as following:

Date of Advance	Amount (HK\$'000)	Expected Repayment date	For	For	For	2019 Interest Expenses (HK\$'000)	Total Interest Expenses (HK\$'000)
			the year ended 30 June 2017 Interest Expenses (HK\$'000)	the year ended 30 June 2018 Interest Expenses (HK\$'000)	the six months ended 31 December 2018 Interest Expenses (HK\$'000)		
14-Feb-17	5,000	26-Jul-19	113	300	151	171	735
2-Mar-17	1,730	26-Jul-19	34	103	52	59	248
19-May-17	5,000	26-Jul-19	35	300	151	170	656
19-May-17	1,525	26-Jul-19	11	92	46	51	200
31-May-17	1,804	26-Jul-19	9	109	55	61	234
6-Sep-17	256	26-Jul-19	–	13	8	8	29
22-Jan-18	1,010	26-Jul-19	–	27	31	35	93
29-Jan-18	257	26-Jul-19	–	6	8	9	23
29-Jan-18	694	26-Jul-19	–	17	21	24	62
28-Sep-18	595	26-Jul-19	–	–	9	20	29
28-Sep-18	325	26-Jul-19	–	–	5	11	16
26-Oct-18	1,500	26-Jul-19	–	–	17	51	68
2-Nov-18	1,144	26-Jul-19	–	–	11	39	50
28-Mar-19	1,809	26-Jul-19	–	–	–	36	36
3-May-19	8,500	26-Jul-19	–	–	–	119	119
20-Jun-19	1,882	26-Jul-19	–	–	–	12	12
26-Jul-19	150	26-Jul-19	–	–	–	–	–
26-Jul-19	14,000	26-Jul-19	–	–	–	–	–
	<u>47,181</u>		<u>202</u>	<u>967</u>	<u>565</u>	<u>876</u>	<u>2,610</u>

(13) The adjustment represents the reclassification of current accounts of the Yu Ming due to completion of Acquisition.

(14) Except noted in note 9(c), the above adjustments are not expected to have continuing effects on the Enlarged Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows.

**E. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED
NET TANGIBLE ASSETS OF THE ENLARGED GROUP AS AT 31 DECEMBER
2018**

	<i>HK\$'000</i>
Unaudited pro forma consolidated net tangible liabilities of the Group	<i>(Note 1)</i> <u><u>(951,078)</u></u>
	<i>HK\$</i>
Unaudited pro forma consolidated net tangible liabilities of the Group per share	<i>(Note 2)</i> <u><u>(0.95)</u></u>
	<i>HK\$'000</i>
Unaudited pro forma adjusted consolidated net assets of the Enlarged Group	<i>(Note 3)</i> 409,921
Less: Intangible assets	<i>(Note 4)</i> <u><u>(406,666)</u></u>
Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group	<u><u>3,255</u></u>
	<i>HK\$</i>
Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share	<i>(Note 5)</i> <u><u>0.003</u></u>

Notes:

- (1) The unaudited pro forma consolidated net tangible liabilities of the Group as at 31 December 2018 is extracted from the unaudited condensed consolidated statement of financial position of the Group as at 31 December 2018.
- (2) The number of shares used for the calculation of the unaudited pro forma consolidated net tangible liabilities of the Group per share is 1,001,765,216, being the number of shares in issue as at 31 December 2018.
- (3) The unaudited pro forma adjusted consolidated net assets of the Enlarged Group as at 31 December 2018 is extracted from the unaudited pro forma consolidated statement of financial position of the Enlarged Group.
- (4) The adjustment represents the exclusion of the intangible assets of the Enlarged Group of approximately HK\$406,666,000, comprising the goodwill of approximately HK\$305,659,000 and other intangible assets of approximately HK\$101,007,000, as at 31 December 2018.

- (5) The number of shares used for the calculation of the unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group per share is 1,139,330,190 including the effect of completion of the (i) Capital Reorganization, (ii) Subscription, (iii) the New Placing, and (iv) Public Offer as at 31 December 2018 as described in the notes to the unaudited pro forma financial information of the Enlarged Group. The number of shares is calculated as follows:

Number of shares in issue as at 31 December 2018	1,001,765,216
Share Consolidation	(901,588,695)
Subscription	284,750,000
The New Placing	512,698,586
Preferential Offering including in the Public Offer	150,264,780
Public Offer (excluding the Preferential Offering)	<u>91,440,303</u>

Number of shares including the effect of completion of the (i) Capital Reorganization, (ii) Subscription, (iii) the New Placing, and (iv) Public Offer	<u><u>1,139,330,190</u></u>
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- (6) Apart from the above, no adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 31 December 2018.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**ZHONGHUI ANDA CPA Limited***Certified Public Accountants*

The Joint and Several Liquidators

China Agrotech Holdings Limited (In Liquidation) (to be renamed as Da Yu Financial Holdings Limited)

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Agrotech Holdings Limited (In Liquidation) (to be renamed as Da Yu Financial Holdings Limited) (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated statement of financial position and the pro forma consolidated net tangible assets attributable to the owners of the Company as at 31 December 2018, the pro forma consolidated statement of profit or loss and other comprehensive income and the pro forma consolidated statement of cash flows for the year ended 30 June 2018 and related notes as set out on pages III-2 to III-22 of the prospectus issued by the Company dated 28 June 2019 (the “Prospectus”). The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described on pages III-1 of the Prospectus.

The pro forma financial information has been compiled by the Liquidators to illustrate the effect of the proposed restructuring including, inter alia, (i) Capital Reorganization, (ii) YM Subscription, (iii) New Placing, (iv) Creditors’ Scheme, (v) Acquisition of the entire issued share capital in Yu Ming Investment Management Limited (Yu Ming), and (vi) Public Offer on the Group’s financial position and pro forma consolidated net tangible assets attributable to the owners of the Company as at 31 December 2018 and financial performances and cash flows for the year ended 30 June 2018 as if the proposed restructuring had taken place on 31 December 2018 and 1 July 2017 respectively. As part of this process, information about the Group’s financial position as at 31 December 2018, the Group’s financial performance and cash flows for the year ended 30 June 2018 have been extracted by the Liquidators from the interim report of the Company for the six months ended 31 December 2018 and the annual report of the Company for the year ended 30 June 2018. Information about the Yu Ming’s financial position as at 31 December 2018, its financial performance and cash flows for the year ended 31 December 2018, have been extracted by the directors from the accountants’ report of the Yu Ming as set out in Appendix I to the Prospectus.

Responsibilities of the Liquidators and the directors of Yu Ming for the Pro Forma Financial Information

The Liquidators and the directors of Yu Ming are responsible for compiling the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of proforma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken

at an earlier dates elected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed restructuring as at 1 July 2017 and 31 December 2018 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Ng Ka Lok
Practising Certificate Number P06084

Hong Kong, 28 June 2019

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 September 1999 under the Companies Law. The Company's constitutional documents consist of its Memorandum of Association and Articles of Association.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), except as prohibited or limited by the laws of the Cayman Islands, and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 May 2019, with effect from the date upon which the New Shares are listed on the Stock Exchange. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum

(other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Companies Law and the requirements of Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the board of directors of the Company (the “**Board**”) may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the

Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract

between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (A) resign;
- (B) dies;
- (C) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (D) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (E) he is prohibited from being or ceases to be a director by operation of law;
- (F) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (G) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (H) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of

capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their

dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be

avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (A) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (B) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (C) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub- underwriting of the offer;
- (D) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (E) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(i) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (A) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (B) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (A) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (B) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively, or as otherwise proscribed by the constitutional documents; and
- (ii) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively, or as otherwise proscribed by the constitutional documents.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 9 September 1999 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (A) on or in respect of the shares, debentures or other obligations of the Company; or
 - (B) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 5 October 1999.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to be wound up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official

liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

(t) Economic substance

The Cayman Islands enacted the International Tax Co-operation (Economic Substance) Law, 2018, which became effective on 1 January 2019, together with the Guidance Notes published by the Cayman Islands Tax Information Authority from time to time. A Cayman Islands company is required to comply with the economic substance requirements from 1 July 2019 and make an annual report in the Cayman Islands as to whether or not it is carrying on any relevant activities and if it is, it would be required to satisfy an economic substance test.

A. FURTHER INFORMATION ABOUT THE ENLARGED GROUP**1. Incorporation**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 September 1999 under the Companies Law. The Company's registered office is at the office of Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong at 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part XI of the former Companies Ordinance (Chapter 32 of the Laws of Hong Kong) on 4 November 1999. Mr. Warren Lee, a Proposed Director, will upon Resumption be appointed as the authorised representative of the Company for the acceptance of service of process in Hong Kong.

As the Company was incorporated in the Cayman Islands, its administration is subject to the laws of the Cayman Islands and its constitutional documents comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of the Company

Pursuant to the approval by the Shareholders at the EGM held on 22 May 2019, the following alterations in the share capital of the Company shall take place:

- (a) the Capital Reorganisation, where (i) the nominal value of each Share 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; (ii) 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; (iii) the authorised share capital will be increased from HK\$300,000,000 divided into 3,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 New Shares of HK\$0.10 each; and
- (b) immediately following completion of the YM Subscription, the New Placing and the Public Offer (without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the authorised share capital of the Company will be HK\$1,000,000,000 divided into 10,000,000,000 New Shares and the issued share capital will be HK\$113,933,019 divided into 1,139,330,190 New Shares, all fully paid or credited as fully paid and 8,860,669,810 New Shares will remain unissued. Other than the allotment and issue of New Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme, there is

no present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in its general meeting, no issue of New Shares will be made which would effectively alter the control of the Company.

Save as aforesaid and as mentioned in the section headed “Share capital” in this prospectus, there has been no other alteration in the share capital of the Company within two years immediately preceding the issue of this prospectus.

3. Extraordinary general meeting of the Company held on 22 May 2019

Pursuant to the extraordinary general meeting of the Company held on 22 May 2019, among others:

- (a) the Company approved and changed its English name from “China Agrotech Holdings Limited” to “Da Yu Financial Holdings Limited”, and adopted and registered the Chinese name “大禹金融控股有限公司” as the dual foreign name of the Company;
- (b) the Company approved and adopted the Memorandum and the Articles of Association with effect from the Resumption Date;
- (c) the Capital Reorganisation was approved, where (i) the nominal value of each Share 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; (ii) every 10 issued Shares of HK\$0.01 each is to 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; and (iii) the authorised share capital is to be increased from HK\$300,000,000 divided into 3,000,000,000 Shares to HK\$1,000,000,000 divided into 10,000,000,000 New Shares of HK\$0.10 each;
- (d) the Acquisition was approved, the Liquidators and the Proposed Directors were authorised to do such acts and things, to sign, execute and deliver all such further documents and to take such steps as it may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the implementation of and giving effect to the Acquisition Agreement and the transactions contemplated thereunder; and
- (e) conditional on the same conditions as stated in the section headed “Structure and conditions of the Public Offer and the Preferential Offering – Conditions of the Public Offer” in this prospectus:
 - (i) the YM Subscription was approved, the Liquidators and the Proposed Directors were authorised to allot and issue the YM Subscription Shares subject to the terms and conditions stated in this prospectus;

- (ii) the New Placing was approved, the Liquidators and the Proposed Directors were authorised to allot and issue the New Placing Shares subject to the terms and conditions stated in this prospectus;
- (iii) the Public Offer was approved, the Liquidators and the Proposed Directors were authorised to allot and issue the Offer Shares subject to the terms and conditions stated in this prospectus; and
- (iv) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this appendix, were approved and adopted and the board of Directors were authorised to implement the same, grant options to subscribe for New Shares thereunder and to allot, issue and deal with New Shares pursuant thereto and to take all such steps as they consider necessary or desirable to implement the Share Option Scheme including without limitation: (1) administering the Share Option Scheme; (2) modifying and/or amending the Share Option Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Share Option Scheme relating to modifications and/or amendments and the requirements of the Listing Rules; (3) granting options under the Share Option Scheme and allotting and issuing from time to time any New Shares pursuant to the exercise of the options that may be granted under the Share Option Scheme shall not exceed 10% of the total number of New Shares in issue as at the Resumption Date; and (4) making application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any New Shares or any part thereof that may thereafter from time to time be allotted and issued pursuant to the exercise of the options granted under the Share Option Scheme.

4. Reorganisation

The Group will undergo the reorganisation involving the following major steps:

- (a) upon the Creditors’ Scheme becoming effective, the Group will only comprise the Company; and
- (b) on 24 August 2016, (i) the Vendor as vendor, (ii) the Company as purchaser, and (iii) the Liquidators, entered into the acquisition agreement (as supplemented by the supplemental acquisition agreements dated 7 February 2017, 13 November 2017, 2 October 2018 and 28 December 2018), pursuant to which the Vendor shall sell and the Company shall purchase the entire issued share capital of Yu Ming for the cash consideration of HK\$400 million. Upon Acquisition Completion, Yu Ming will become a direct wholly-owned subsidiary of the Company.

Changes in share capital of subsidiaries in the Company

As the Excluded Companies, being all the existing subsidiaries of the Company, will be divested pursuant to the Creditors' Scheme, no information is included in this prospectus regarding the change, if any, in the share capital or registered capital of the Excluded Companies.

There has been no alteration in the share capital or the registered capital of Yu Ming within two years immediately preceding the Latest Practicable Date.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE ENLARGED GROUP**1. Summary of material contracts**

The following material contracts (not being contracts in the ordinary course of business) have been entered into by the Company immediately preceding the date of this prospectus, and are or may be material:

- (i) the Acquisition Agreement dated 24 August 2016 and entered into among the Vendor as vendor, the Company as purchaser and the Liquidators, pursuant to which the Vendor conditionally agreed to sell and the Company conditionally agreed to purchase 10,000,000 shares, representing the entire issued share capital, of Yu Ming for the cash consideration of HK\$400 million;
- (ii) the Supplemental Acquisition Agreement dated 7 February 2017 and entered into among the parties to the Acquisition Agreement, pursuant to which the parties agreed to amend certain terms and conditions of the Acquisition Agreement;
- (iii) the Second Supplemental Acquisition Agreement dated 13 November 2017 and entered into among the parties to the Acquisition Agreement, pursuant to which the parties agreed to further amend certain terms and conditions of the Acquisition Agreement;
- (iv) the Third Supplemental Acquisition Agreement dated 2 October 2018 and entered into among the parties to the Acquisition Agreement, pursuant to which the parties agreed to further amend certain terms and conditions of the Acquisition Agreement;
- (v) the Fourth Supplemental Acquisition Agreement dated 28 December 2018 and entered into among the parties to the Acquisition Agreement, pursuant to which the parties agreed to further amend certain terms and conditions of the Acquisition Agreement;

- (vi) the YM Subscription Agreement dated 28 December 2018 and entered into among the Company as issuer and Mr. Warren Lee and the Yu Ming Team as subscribers, pursuant to which Mr. Warren Lee and the Yu Ming Team have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 227,250,000 Subscription Shares and 57,500,000 Subscription Shares respectively, at the Subscription Price of HK\$0.52 per Subscription Share;
- (vii) the New Placing Agreement dated 28 December 2018 and entered into between the Company and the Placing Agent as placing agent, pursuant to which the Placing Agent has agreed to place 512,698,586 New Placing Shares to not less than ten Independent Placees at the New Placing Price of HK\$0.52 per New Placing Share;
- (viii) the Ms. Chong's Subscription Agreement dated 28 December 2018 and entered into between the Company as issuer and Ms. Chong as subscriber, pursuant to which Ms. Chong has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 512,698,586 Subscription Shares at the Subscription Price of HK\$0.52 per Subscription Share;
- (ix) the termination deed dated 14 June 2019 and entered into between the Company and Ms. Chong, pursuant to which the parties had mutually agreed to terminate the Ms. Chong's Subscription Agreement; and
- (x) the Underwriting Agreement, details of which are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Underwriting Agreement" in this prospectus.



Yu Ming did not enter into any contracts (not being contracts in the ordinary course of business) within two years immediately preceding the date of this prospectus, which are or may be material.

2. Intellectual property rights

(a) Trademarks

As at the Latest Practicable Date, the Company did not have any registered trademark in Hong Kong.

As at the Latest Practicable Date, Yu Ming had registered the following trademark in Hong Kong:

Trademark	Trademark number	Name of owner	Class(es)	Registration date	Expiry Date
(A) 	303523086	Yu Ming	35, 36, 41, 42	1 September 2015	31 August 2025
(B) 					

(b) Domain name

As at the Latest Practicable Date, the Company did not have any registered domain name.

As at the Latest Practicable Date, Yu Ming had registered the following domain name:

Domain name	Name of assignee	Registration date	Expiry date
<i>ymi.com.hk</i>	Yu Ming	17 May 2007	25 May 2020

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT, STAFF AND EXPERTS

1. Interests and short positions of the Proposed Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations

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

So far as is known to the Liquidators, immediately following completion of the YM Subscription, the New Placing and the Public Offer (without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the interests and short positions of the Proposed Directors or chief executive of the

Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, will be as follows:

Long position in the New Shares

Name of Proposed Director	Capacity/Nature of interest	Number of New Shares held	Approximate percentage of issued share capital
Mr. Warren Lee (<i>Note 1</i>)	Beneficial owner	227,250,000	19.9%
Mr. Lam Chi Shing (<i>Note 2</i>)	Beneficial owner	17,800,000	1.6%
Ms. Li Ming (<i>Note 3</i>)	Beneficial owner	17,800,000	1.6%

Notes:

- (1) Mr. Warren Lee is a Proposed Director and one of the subscribers under the YM Subscription Agreement, pursuant to which he has conditionally agreed to subscribe for 227,250,000 New Shares.
- (2) Mr. Lam Chi Shing is a Proposed Director and one of the subscribers under the YM Subscription Agreement, pursuant to which he has conditionally agreed to subscribe for 17,800,000 New Shares.
- (3) Ms. Li Ming is a Proposed Director and one of the subscribers under the YM Subscription Agreement, pursuant to which she has conditionally agreed to subscribe for 17,800,000 New Shares.

Save as disclosed above, the Liquidators are not aware of any other Proposed Directors or chief executive of the Company who will, immediately following completion of the YM Subscription, the New Placing and the Public Offer (without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to notify to the Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules.

2. Interests and/or short positions of substantial shareholders in the shares or underlying shares of the Company and its associated corporations

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

Long position in the Shares

Name	Capacity/Nature of interest	Number of Shares held	Approximate percentage of issued share capital
Perfect Gate Holdings Limited (<i>Note</i>)	Beneficial owner	230,000,000	23.0%

Note: Based on information as available to the Liquidators and the latest disclosure of interests filed by Perfect Gate Holdings Limited (“Perfect Gate”), as at 7 December 2017, Perfect Gate is a company incorporated in the BVI, which is wholly-owned by Gokeen Invest Limited, a company incorporated in the BVI and Gokeen Invest Limited is owned as to 25% by Xiong Ling, 25% by Chen Rong, 25% by Ng Wai Huen and 25% by Lee On Wai. On 30 August 2017, the Liquidators received a summons from Perfect Gate applying for an order to validate the proposed sale and purchase of the 230,000,000 Shares held by it to (i) Wisdom Link Group Limited as to 46,000,000 Shares; (ii) Treasure Forum Limited as to 46,000,000 Shares; (iii) Perfect Origin Investments Limited as to 46,000,000 Shares; (iv) Classic Sky Global Limited as to 46,000,000 Shares; and (v) True Masters Limited as to 46,000,000 Shares. Pursuant to information provided by Perfect Gate, each of Wisdom Link Group Limited, Treasure Forum Limited, Perfect Origin Investments Limited, Classic Sky Global Limited and True Masters Limited is a company incorporated in the BVI and is wholly-owned by Yu Sau Lai. Such proposed sale and purchase of New 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 as the registered Shareholders. As at the Latest Practicable Date, the Liquidators had not received any notice on the completion of the said proposed sale and purchase nor aware of any circumstances that may affect the accuracy of the above statements.

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

So far as is known to the Proposed Directors, immediately following completion of the YM Subscription, the New Placing, and the Public Offer (without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), no persons (not being Proposed Directors or chief executive of the Company) will have an interest or short position in the shares or underlying shares of the Company and its associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or its associated corporations.

3. Particulars of service agreements

Mr. Warren Lee, being one of the Proposed executive Directors, will enter into a service agreement with the Company for an initial term of five years commencing from the date of Acquisition Completion, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Save for Mr. Warren Lee, each of the Proposed executive Directors, will enter into a service agreement with the Company for an initial term of three years commencing from the date of Acquisition Completion, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of the Proposed executive Directors is entitled to their respective director's fee set out in the paragraph headed "C. Further information about Directors, management, staff and experts – 4. Directors' emoluments" in this appendix (subject to such adjustment as recommended by the remuneration committee, and as the Board may determine and approve in its absolute discretion).

Each of the Proposed non-executive Director and Proposed independent non-executive Directors will enter into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of the Proposed non-executive Director and Proposed independent non-executive Directors is appointed with an initial term of three years commencing from the Resumption Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment.

Save as aforesaid, none of the Proposed Directors has or is proposed to have a service agreement or letter of appointment with the Enlarged Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

Each of the above remunerations is determined by the Company with reference to duties and level of responsibilities of each Proposed Director, the remuneration policy of the Company and the prevailing market conditions.

The appointments of the Proposed executive Directors, Proposed non-executive Director and Proposed independent non-executive Directors are subject to the provisions of retirement and rotation of directors under the Articles of Association.

4. Directors' emoluments

- (i) For the three years ended 30 June 2018 and the six months ended 31 December 2018, the aggregate emoluments paid and benefits in kind granted by the Company to the Directors were approximately nil, nil, nil and nil, respectively.
- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Company to the Proposed Directors for the year ending 30 June 2019 is expected to be nil.
- (iii) None of the Proposed Directors or any past directors of any member of the Enlarged Group has been paid any sum of money during the Track Record Period, (1) as an inducement to join or upon joining the Company or (2) for loss of office as a director of any member of the Enlarged Group or of any other office in connection with the management of the affairs of any member of the Enlarged Group.
- (iv) There has been no arrangement under which a Proposed Director has waived or agreed to waive any emoluments during the Track Record Period.
- (v) Under the arrangements currently proposed, conditional upon the Resumption, the director's fee (excluding payment pursuant to any existing employment contract, discretionary benefits or bonus or other fringe benefits) payable by the Enlarged Group to each of the Proposed Directors will be as follows:

Proposed executive Directors	<i>HK\$</i>
Mr. Warren Lee	60,000
Mr. Lam Chi Shing	60,000
Ms. Li Ming	60,000
 Proposed non-executive Director	
Mr. Li	60,000
 Proposed independent non-executive Directors	
Mr. Chan Sze Chung	60,000
Mr. Suen Chi Wai	60,000
Mr. Sum Wai Kei Wilfred	60,000

- (vi) Each of the Proposed executive Directors, Proposed non-executive Director and Proposed independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses

properly incurred in relation to all business and affairs carried out by the Enlarged Group from time to time or in discharge of his/her duties to the Enlarged Group under his/her service agreement or letter of appointment.

5. Agency fees or commissions received

Save for the placing commission, being 1.0% of the aggregate New Placing Price in respect of the New Placing Shares, payable to the Placing Agent under the New Placing, and as disclosed in the section headed “Underwriting – Underwriting arrangements and expenses – Commission and expenses” in this prospectus, within the two years immediately preceding the date in this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries.

6. Related party transactions

Save as disclosed in note 26 to the accountants’ report on Yu Ming set out in Appendix I to this prospectus, the Enlarged Group has not engaged in any other material related party transactions during the Track Record Period.

7. Disclaimers

Save as disclosed in this prospectus:

- (i) without taking into account any New Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme, the Proposed Directors are not aware of any person who immediately following completion of the YM Subscription, the New Placing and the Public Offer will have an interest or short position in the New Shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Enlarged Group;
- (ii) none of the Proposed Directors has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, any interests and short positions in the shares, underlying shares, and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules, once the New Shares are listed on the Stock Exchange;

- (iii) none of the Proposed Directors or the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of our Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group, nor will any Proposed Director apply for the Offer Shares either in his/her own name or in the name of a nominee;
- (iv) none of the Proposed Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Enlarged Group taken as a whole; and
- (v) none of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding in any company in the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Enlarged Group.

D. SHARE OPTION SCHEME

1. Summary of the terms of the Share Option Scheme

(i) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive or a reward to eligible persons for their contribution to the Enlarged Group and/or to enable the Enlarged Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Enlarged Group or any entity in which the Enlarged Group holds any equity interest (“**Invested Entity**”).

(ii) *Who may join*

Subject to the provisions in the Share Option Scheme, the Board shall be entitled at any time within the period of ten (10) years after the date of adoption of the Share Option Scheme to make an offer to any of the following classes of persons (“**Eligible Participant(s)**”):

- (1) any employee (whether full-time or part-time) of the Enlarged Group and any Invested Entity;
- (2) any director (including executive, non-executive and independent non-executive directors) of the Enlarged Group or any Invested Entity;
- (3) any supplier of goods or services to any member of the Enlarged Group or any Invested Entity;
- (4) any customer of the Enlarged Group or any Invested Entity;

- (5) any consultant, adviser, manager, officer or entity that provides research, development or other technological support to the Enlarged Group or any Invested Entity; or
- (6) any person who, in the sole discretion of the Board, has contributed or may contribute to the Enlarged Group or any Invested Entity eligible for options under the Share Option Scheme.

(iii) Maximum number of New Shares

- (1) Notwithstanding anything to the contrary herein, the maximum number of New Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of New Shares in issue from time to time.
- (2) The total number of New Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 113,933,019 New Shares, being 10% of the total number of New Shares in issue as at the Resumption Date unless the Company obtains the approval of the Shareholders in general meeting for renewing the 10% limit (“**Scheme Mandate Limit**”) under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.
- (3) The Company may seek approval of the Shareholders in general meeting to renew the Scheme Mandate Limit such that the total number of New Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company as “renewed” shall not exceed 10% (“**Renewal Limit**”) of the total number of New Shares in issue as at the date of the approval of the Shareholders on the renewal of the Scheme Mandate Limit, provided that options previously granted under the Share Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company or exercised options) will not be counted for the purpose of calculating the Renewal Limit.

For the purpose of seeking the approval of the Shareholders for the Renewal Limit, a circular containing the information and the disclaimer as required under the Listing Rules must be sent to the Shareholders.

- (4) The Company may seek separate approval of the Shareholders in general meeting for granting options beyond the Scheme Mandate Limit provided that the proposed grantee(s) of such option(s) must be specifically identified by the Company before such approval is sought. For the purpose of seeking the approval of the Shareholders, the Company must send a circular to the Shareholders containing a generic description of the specified proposed grantees of such options, the number and terms of the options to be granted, the purpose of granting such options to the proposed grantees with an explanation as to how the terms of options serve such purpose and the information and the disclaimer as required under the Listing Rules.

(iv) Maximum entitlement of each Eligible Participant

No option shall be granted to any Eligible Participant if any further grant of options would result in the New Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of grant of the options exceeding 1% of the total number of New Shares in issue, unless:

- (1) such further grant has been duly approved, in the manner prescribed by the relevant provisions of Chapter 17 of the Listing Rules, by resolution of the Shareholders in general meeting at which the Eligible Participant and his/her/its associates shall abstain from voting;
- (2) a circular regarding the further grant has been despatched to the Shareholders in a manner complying with, and containing the information specified in, the relevant provisions of Chapter 17 of the Listing Rules (including the identity of the Eligible Participant, the number and terms of the options to be granted and options previously granted to such Eligible Participant); and
- (3) the number and terms (including the exercise price) of such option are fixed before the general meeting of the Company at which the same are approved.

(v) Grant of options to connected persons

- (1) The grant of options to a director, chief executive or substantial Shareholder of the Company or any of his/her/its respective associates (including discretionary trust in which any connected persons are beneficiary) requires the approval of all the independent non-executive Directors (excluding any independent non-executive Director who is a prospective grantee of the option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

- (2) Where an option is to be granted to a substantial Shareholder or an independent non-executive Director (or any of his/her/its respective associates), and such grant will result in the New Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:
- (a) exceeding 0.1% of the total number of New Shares in issue at the relevant time of grant; and
 - (b) exceeding an aggregate value (based on the closing price of the New Shares on the Stock Exchange on the date of each grant) of HK\$5.0 million, such grant shall not be valid unless:
 - I. a circular containing the details of the grant has been despatched to our Shareholders in a manner complying with, and containing the matters specified in, the relevant provisions of Chapter 17 of the Listing Rules, including, in particular, (i) details of the number and terms (including exercise price) of the options to be granted to such connected person, which must be fixed before the Shareholders' meeting and the date of the Board meeting for proposing such further grant is to be taken as the date of grant for the purposes of calculating the exercise price, and (ii) a recommendation from the independent non-executive Directors (excluding the independent non-executive Director who is the prospective grantee of the option) to the independent Shareholders as to voting; and
 - II. the grant has been approved by the Shareholders in general meeting (taken on a poll) at which such person and his/her/its connected persons shall abstain from voting in favour of the grant (unless such connected person's intention to vote against the proposed grant of option has been stated in the relevant circular).

(vi) Time of acceptance and exercise of an option

An offer of grant of an option may be accepted by an Eligible Participant within the date as specified in the offer letter issued by the Company, being a date not later than 21 Business Days from the date upon which it is made, by which the Eligible Participant must accept the offer or be deemed to have declined it, provided that such date shall not be more than ten (10) years after the date of adoption of the Share Option Scheme. There is no general requirement on the minimum period for which option must be held before the exercise of any option.

A consideration of HK\$1 is payable on acceptance of the offer of grant of an option. Such consideration shall in no circumstances be refundable. An option may be exercised in whole or in part by the grantee (or his/her personal representative(s)) at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than ten (10) years commencing on the date of the offer letter and expiring on the last day of such ten (10)-year period subject to the provisions for early termination as contained in the Share Option Scheme.

(vii) Performance targets

Unless otherwise determined by the Board and specified in the offer letter, there is no performance target that has to be achieved before the exercise of any option.

(viii) Exercise price for New Shares

The exercise price of a New Share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an Eligible Participant, and shall be at least the higher of: (1) the closing price of the New Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date (as defined below), (2) the average closing price of the New Shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive Business Days immediately preceding the Offer Date, and (3) the nominal value of a New Share on the Offer Date.

Where an option is to be granted to an Eligible Participant, the date of the Board meeting at which the grant was proposed shall be taken to be the date of the offer of such option, which must be a Business Day ("**Offer Date**").

(ix) Ranking of New Shares

The New Shares to be allotted and issued upon the exercise of an option shall be subject to the Memorandum and the Articles of Association for the time being in force and shall rank *pari passu* in all respects with the fully-paid New Shares in issue of the Company as at the date of allotment and issue (the "**Exercise Date**"), and will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date.

(x) Restrictions on the time of grant of options

No option shall be granted after a development of or a matter constituting inside information has been the subject of a decision of the Enlarged Group until such price-sensitive information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, during the period commencing one month immediately preceding the earlier of:

- (1) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (2) the deadline for the Company to publish an announcement of the results for any year or half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, no option shall be granted.

(xi) Period of the Share Option Scheme

Subject to any prior termination by the Company in a general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of the Share Option Scheme (the "**Option Period**"), after which period no further option shall be granted but in respect of all options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

(xii) Rights on cessation of employment

Where the grantee of an outstanding option ceases to be an employee of the Enlarged Group for any reason other than his/her death, including the termination of his/her employment on one or more of the grounds specified in (xxii)(e), the option granted to such grantee shall lapse on the date of cessation (to the extent not already exercised) and shall not be exercisable unless the Board otherwise determines to grant an extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the absolute discretion of the Board. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his/her cessation to be an employee of the Enlarged Group.

(xiii) Rights on death

Where the grantee of an outstanding option dies before exercising the option in full or at all, and none of the events specified in (xxii)(e) which would be a ground for termination of his/her employment or engagement arises, the option may be exercised in full or in part up to the entitlement of such grantee as at the date of death (to the extent which has become exercisable and not already exercised) by his/her personal representative(s) within 12 months following the date of his/her death or such longer period as the Board may at its absolute discretion determine from the date of death.

(xiv) Rights on a general offer

In the event of a general or partial offer (whether by way of take-over offer, share repurchase offer, other than by way of scheme of arrangement or otherwise in like manner) being made to all the holders of New Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, a grantee (or his/her personal representative(s)) shall be entitled to exercise his/her/its option in full (to the extent which has become exercisable on the date of the notice of the offer and not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xv) Rights on winding-up

In the event that a notice is given by the Company to the Shareholders to convene a general meeting for the purposes of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall, on the same date as or soon after it despatches such notice to each Shareholder, give notice thereof to all grantees and thereupon, each grantee (or his/her personal representative(s)) shall, subject to the provisions of all applicable laws, be entitled to exercise all or any of his/her/its options (to the extent which has become exercisable and not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company, by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate exercise price for the New Shares in respect of which the notice is given, whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant New Shares to the grantee credited as fully paid, which shall rank *pari passu* with all other New Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation.

(xvi) Rights on scheme of arrangement

In the event of a general or partial offer by way of scheme of arrangement is made to all the holders of New Shares and has been approved by the necessary number of holders of New Shares at the requisite meetings, the grantee (or his/her personal representative(s)) may thereafter (but only until such time as shall be notified by the Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

(xvii) Rights on compromise or arrangement between the Company and our creditors

In the event of a compromise or arrangement between the Company and our Shareholders and/or creditors in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement, and thereupon each grantee (or his/her personal representative(s)) may by notice in writing to the Company accompanied by the remittance of the exercise price in respect of the relevant option (such notice to be received by the Company not later than two Business Days before the proposed meeting) exercise any of his/her/its options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. The Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of New Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such New Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. The Company may require the grantee (or his/her personal representative(s)) to transfer or otherwise deal with the New Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such New Shares been subject to such compromise or arrangement.

(xviii) Reorganisation of capital structure

In the event of any alteration in the capital structure of the Company whilst any option has been granted and remains exercisable, whether by way of capitalisation issue, rights issue, consolidation or subdivision of the New Shares, or reduction of the share capital of the Company (other than an issue of New Shares as consideration in respect of a transaction to which the Company is a party), the Company shall make corresponding alterations (if any), in accordance with the Listing Rules and any applicable guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time (including but not limited to the supplementary guidance issued on 5 September 2005), to:

- (1) the number and/or nominal amount of New Shares subject to the options already granted so far as they remain exercisable; and/or
- (2) the exercise price; and/or
- (3) the maximum number of New Shares referred to in sub-paragraphs (iii) and (iv) above provided that:

- (aa) no such alteration shall be made in respect of an issue of New Shares or other securities by the Company as consideration in a transaction;
- (bb) any such alterations shall give a grantee the same proportion of the issued share capital of the Company as that to which he/she/it was previously entitled;
- (cc) no such alterations shall be made the effect of which would be to enable any New Share to be issued at less than its nominal value; and
- (dd) any such alterations shall be confirmed by an independent financial adviser or the auditors in writing to the Directors, to be in their opinion fair and reasonable, as satisfying the requirements of provisions referred to in sub-paragraphs (bb) and (cc) above.

(xix) Cancellation of options

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where the Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the Scheme Mandate Limit approved by the Shareholders.

(xx) Termination of the Share Option Scheme

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further option will be offered but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme and the Listing Rules.

(xxi) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable nor transferable, and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so. Any breach of the foregoing by the grantee shall entitle the Company to cancel any option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on the part of the Company.

(xxii) Lapse of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (a) the expiry of the Option Period (subject to the provision referred to in sub-paragraph (xx));
- (b) the expiry of the periods referred to in sub-paragraphs (xii), (xiii) or (xvii), where applicable;
- (c) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining New Shares in the offer, the expiry of the period referred to in sub-paragraph (xiv);
- (d) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in sub-paragraph (xvi);
- (e) the date on which the grantee ceases to be an Eligible Participant by reason of the termination of his/her/its employment or engagement on the grounds that he/she/it has been guilty of misconduct, or has been in breach of a material term of the relevant employment contract or engagement contract, or appears either to be unable to pay or have no reasonable prospect to be able to pay debts, or has committed any act of bankruptcy, or has become insolvent, or has been served a petition for bankruptcy or winding-up, or has made any arrangements or composition with his/her/its creditors generally, or has been convicted of any criminal offence or (if so determined by the Board, the board of the relevant subsidiary or the board of the relevant associated company of the Company, as the case may be) on any other ground on which an employer or a sourcing party would be entitled to terminate his/her/its employment or engagement at common law or pursuant to any applicable laws or under the grantee's service contract or supply contract with the Company, the relevant subsidiary or the relevant associated company of the Company (as the case may be);
- (f) the date of the commencement of the winding-up of the Company referred to in subparagraph (xv);
- (g) the date on which the grantee commits a breach of sub-paragraph (xxi);
or
- (h) the date on which the option is cancelled by the Board as set out in sub-paragraph (xix).

(xiii) Alterations to the Share Option Scheme

- (1) The Share Option Scheme may be altered in any respect to the extent allowed by the Listing Rules by resolution of the Board except that the following alterations must be approved by a resolution of our Shareholders in general meeting:
 - (aa) any changes to the definitions of Eligible Participant, grantee and option period;
 - (bb) any changes to the terms and conditions of the Share Option Scheme to the advantage of the grantees of the options (whereby such grantee and his/her/its associates shall abstain from voting in the general meeting);
 - (cc) any alterations to the terms and conditions of the Share Option Scheme which are of a material nature;
 - (dd) any changes to the terms of options granted; and
 - (ee) any changes to the authority of the Board or scheme administrators in relation to any alteration to the terms of the Share Option Scheme except where such alterations take effect automatically under the existing terms of the Share Option Scheme, provided that: (a) the amended terms of the Share Option Scheme or the options must comply with Chapter 17 of the Listing Rules; and (b) no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such majority of grantees as would be required of the Shareholders under the Articles of Association for the time being of the Company for a variation of the rights attached to the New Shares.
- (2) Notwithstanding the other provisions of the Share Option Scheme, the Share Option Scheme may be amended or altered in any respect by resolution of the Board without the approval of the Shareholders or the grantee(s) to the extent such amendment or alteration is required by the Listing Rules or any guidelines issued by the Stock Exchange from time to time.
- (3) The Company must provide to all grantees all details relating to changes in the terms of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(xxiv) Conditions

The Share Option Scheme is conditional on:

- (a) the Listing Committee granting approval of the listing of, and permission to deal in, the New Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme;
- (b) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (c) the Resumption having taken place.

2. Present status of the Share Option Scheme*(i) Approval and adoption of the rules of the Share Option Scheme*

The rules of the Share Option Scheme were approved and adopted by the Shareholders at the EGM held on 22 May 2019.

(ii) Approval of the Stock Exchange required

The Share Option Scheme is conditional, among other matters, on the Stock Exchange granting the listing of, and permission to deal in, the New Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, which shall not exceed 10% of the total number of New Shares in issue as at the Resumption Date.

(iii) Application for listing

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the New Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme. The total number of New Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not exceed 113,933,019 New Shares, being 10% of the total number of New Shares in issue as at the Resumption Date unless the Company obtains the approval of the Shareholders in general meeting for renewing the said 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit mentioned above.

(iv) Grant of options

As at the Latest Practicable Date, no options have been granted or agreed to be granted under the Share Option Scheme.

(v) *Value of options*

The Proposed Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. The Proposed Directors believe that any calculation of the value of options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

E. OTHER INFORMATION

1. Tax and other indemnities

Upon Acquisition Completion, the Vendor will enter into a deed of indemnity with, among other parties, the Company, pursuant to which the Vendor will indemnify Yu Ming in respect of any and all taxation falling on Yu Ming resulting from or by reference to any income, profits, gains earned, accrued or received on or before the date of Acquisition Completion or any event or transaction entered into or occurring on or before the date of Acquisition Completion whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply to taxation falling on Yu Ming in respect of its current accounting periods or any accounting period commencing on or after the date of Acquisition Completion unless liability for such taxation would not have arisen but for some act or omission of, or transaction voluntarily effected by, Yu Ming (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Vendor other than any such act, omission or transaction:

- (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the date of Acquisition Completion; or
- (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the date of Acquisition Completion; or
- (iii) consisting of Yu Ming ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation.

The Proposed Directors have been advised that no material liability for estate duty would be likely to fall upon any member of the Enlarged Group.

2. Litigation

The Company received a winding up petition dated November 2014 filed by Concept Capital Management Limited with 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 of the Company 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.

Following the winding up petition dated 11 November 2014, the Company was wound up, creditors submitted claims against the Company. Save as disclosed, as at the Latest Practicable Date, the Company was not engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Liquidators to be pending or threatened by or against the Company.

Save as disclosed in the section headed "Business of Yu Ming – Litigation and disciplinary actions – Litigation" in this prospectus, as at the Latest Practicable Date, Yu Ming was not engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Proposed Directors to be pending or threatened against Yu Ming.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the New Shares in issue and to be issued as mentioned in this prospectus, including any New Shares which may fall to be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, on the Stock Exchange.

The Sponsor satisfies the independence criteria applicable to sponsors under Rule 3A.07 of the Listing Rules. The Sponsor is entitled to the sponsor's fee in the amount of HK\$4,800,000.

4. Preliminary expenses

The preliminary expenses of the Company are approximately HK\$52.3 million and are payable by the Company.

5. Promoter

- (a) The Company has no promoter for the purpose of the Listing Rules.
- (b) Save as disclosed herein, within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Public Offer or the related transactions described in this prospectus.

6. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

Name	Qualifications
Emperor Capital Limited	licensed corporation holding a licence to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants
ZHONGHUI ANDA CPA Limited	Certified Public Accountants
Harney Westwood & Riegels	Cayman Islands attorneys-at-law
Michael Li & Co.	Legal advisers as to Hong Kong laws

7. Consents of experts

Each of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has given and has not withdrawn its respective written consent to the issue of this prospectus with copies of its reports and/or letters and/or opinions and/or the references to its name included herein in the form and context in which they are respectively included.

None of the experts named in the paragraph headed “E. Other information – 6. Qualifications of experts” in this appendix has any shareholding interests in any member of the Enlarged Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

9. Share registrar

The Company's principal register of members will be maintained in the Cayman Islands by the Principal Share Registrar, Conyers Trust Company (Cayman) Limited, and a register of members will be maintained in Hong Kong by the Hong Kong Branch Share Registrar, Hong Kong Registrars Limited. Unless the board of Directors otherwise agree, all transfers and other documents of title of the New Shares must be lodged for registration with and registered by the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. Bilingual prospectus

The English language and Chinese language versions of this prospectus and the Application Forms are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version of this prospectus and the Application Forms, the English language version shall prevail.

11. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of the Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any New Shares or debentures in the Company; and
 - (iv) no founder, management or deferred shares or any debentures in the Company or any of its subsidiaries have been issued or agreed to be issued;
- (b) no share, warrant or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

- (c) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (d) all necessary arrangements have been made enabling the New Shares to be admitted into CCASS;
- (e) the Company has no outstanding convertible debt securities;
- (f) the Proposed Directors confirm that none of them shall be required to hold any New Shares by way of qualification and none of them has any interest in the promotion of the Company;
- (g) the Proposed Directors confirm that there has been no material adverse change in the financial or trading position or prospects of Yu Ming since 31 December 2018 (being the date to which the latest audited financial statements of Yu Ming were made up);
- (h) there has not been any interruption in the business of the Enlarged Group which may have or have had a significant effect on the financial position of the Enlarged Group in the 12 months immediately preceding the date of this prospectus;
- (i) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (j) there is no restriction affecting the remittance of profits or repatriation of capital into Hong Kong and from outside Hong Kong.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the **WHITE, YELLOW** and **BLUE** Application Forms;
- (b) a copy of each of the material contracts referred to in the paragraph headed “B. Further information about the business of the Group – 1. Summary of material contracts” in Appendix V to this prospectus; and
- (c) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 22/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the accountants’ report on financial information of Yu Ming for the three years ended 31 December 2018 prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the accountants’ report on financial information of the Group for the three years ended 30 June 2018 and the unaudited financial statements of the Group for the six months ended 31 December 2018, the text of which is set out in Appendix II to this prospectus;
- (d) the audited financial statements of the Company for each of the three financial years immediately preceding the issue of this prospectus;
- (e) the audited financial statements of Yu Ming for each of the three financial years immediately preceding the issue of this prospectus;
- (f) the report on unaudited pro forma financial information of the Enlarged Group prepared by ZHONGHUI ANDA CPA Limited, the text of which is set out in Appendix III to this prospectus;
- (g) the letter of advice prepared by Harney Westwood & Riegels summarising certain aspects of Cayman Islands company law referred to in Appendix IV to this prospectus;

- (h) the Companies Law;
- (i) the rules of the Share Option Scheme;
- (j) the material contracts referred to in the paragraph headed “B. Further information about the business of the Enlarged Group – 1. Summary of material contracts” in Appendix V to this prospectus;
- (k) the written consents referred to in the paragraph headed “E. Other information – 7. Consents of experts” in Appendix V to this prospectus;
- (l) the legal opinion prepared by Harney Westwood & Riegels in respect of the “Specific Risk Associated with the Proposed Restructuring”;
- (m) the legal opinion prepared by Michael Li & Co. in respect of the “Specific Risk Associated with the Proposed Restructuring”;
- (n) the letter from the Liquidators, the text of which is set out in the section headed “Letter from the Liquidators” in this prospectus; and
- (o) the Circular.

CHINA AGROTECH HOLDINGS LIMITED

浩倫農業科技集團有限公司*

(In Liquidation)