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## **CHINA AGROTECH HOLDINGS LIMITED**

**浩倫農業科技集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 01073)**

### **DISCLOSEABLE TRANSACTION: DISPOSAL OF THE ENTIRE EQUITY INTERESTS IN A SUBSIDIARY**

#### **DISCLOSEABLE TRANSACTION**

On 12 June 2014 (after trading hours), the Company entered into the Disposal Agreement with the Purchaser, pursuant to which the Company unconditionally agreed to sell and the Purchaser unconditionally agreed to purchase the entire issued share capital of the Target for the Disposal Consideration of HK\$35,000,000.

As at the date of this announcement, the Target is a direct wholly-owned subsidiary of the Company. The Target is an investment holding company and is the holding company of the Disposed Group. The Disposed Group is principally engaged in the manufacture and sale of pesticides in the PRC. Upon Completion, the Group will not hold any equity interest in the Target or any other members of the Disposed Group and each of the Target and other members of the Disposed Group will cease to be a subsidiary of the Company.

Given certain of the applicable percentage ratios exceed 5% but below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

#### **THE DISPOSAL AGREEMENT**

**Date:** 12 June 2014

**Parties:** (1) Vendor : the Company

(2) Purchaser : Rich Water Global Limited

\* For identification purposes only

The Purchaser is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are Independent Third Parties.

### **Assets disposed of**

The entire issued share capital of the Target.

### **Consideration**

The Disposal Consideration is HK\$35,000,000 and shall be settled by way of offsetting against an amount of RMB28,000,000 due by a PRC subsidiary of the Company to the ultimate beneficial owners of the Purchaser immediately upon Completion.

The consideration for the Disposal was arrived at after arm's length negotiations between the parties to the Disposal Agreement after taking into consideration of various factors, including (i) the reasons for the Disposal as discussed below; and (ii) the current financial position of the Disposed Group.

The Directors considered the terms and conditions of the Disposal Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **Completion**

Completion is unconditional and took place immediately after the signing of the Disposal Agreement.

Upon Completion, the Group will not hold any equity interest in the Target or any other members of the Disposed Group and each of the Target and other members of the Disposed Group will cease to be a subsidiary of the Company.

### **REASONS FOR THE DISPOSAL AND USE OF PROCEEDS**

The Group is principally engaged in (i) the trading of fertilizers, pesticides and other agricultural resources products; (ii) the manufacturing and selling of pesticides and fertilizers; (iii) the provision of plant protection technical services; (iv) the trading of non-agricultural resources products; and (v) nursing, planting and sales of landscaping seedlings in the PRC.

Currently, the principal operating subsidiary of the Disposed Group, Jinan Yinong Chemical Industry Company Limited, is one of the manufacturing operation of the Group and is engaged in the manufacture and sale of pesticides in the PRC. However, the operating results of the Disposed Group has been deteriorating since 2013 due to rapid decrease in sales and shrink in profit margin of the pesticide products under severe market competition. The Directors considered the Disposal can lessen the operating burden of the unprofitable manufacturing operation of the Group, and the Disposal Consideration can be applied to reduce the current indebtedness of the Group.

Taking into consideration of the aforesaid, the Directors considered that the terms and conditions of the Disposal Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The proceeds of HK\$35 million from the Disposal is not in the form of cash settlement, but was settled by way of offsetting against an amount of RMB28 million due by a PRC subsidiary of the Company to the ultimately beneficial owners of the Purchaser immediately upon Completion.

The Directors are of the view that the Disposal will not have any material adverse impact on the business operations and financial position of the Group.

## **INFORMATION OF THE DISPOSED GROUP**

As at the date of this announcement, the Target is a direct wholly-owned subsidiary of the Company. The Target is an investment holding company and is the holding company of the Disposed Group. The Disposed Group is principally engaged in the manufacture and sale of pesticides in the PRC.

The following table summarises the unaudited consolidated financial results of the Disposed Group prepared in accordance with the Hong Kong Financial Reporting Standards for each of the two financial years ended 30 June 2013 and for the six months ended 31 December 2013:

	<b>For the year ended 30 June 2012 HK\$'000</b>	<b>For the year ended 30 June 2013 HK\$'000</b>	<b>For the six months ended 31 December 2013 HK\$'000</b>
Turnover	83,734	61,476	265
Profit/(loss) before tax	11,186	(3,004)	(8,055)
Profit/(loss) after tax	8,405	(2,237)	(7,322)

Based on the unaudited consolidated management accounts of the Disposed Group made up to 30 April 2014 prepared in accordance with the Hong Kong Financial Reporting Standards, the unaudited consolidated net assets value of the Disposed Group as at 30 April 2014 was approximately HK\$36.3 million.

## **FINANCIAL EFFECT OF THE DISPOSAL**

As a result of the Disposal, subject to further audit procedures to be performed by the auditors of the Company, the Group is expected to record an unaudited loss on disposal of subsidiaries of approximately HK\$1.3 million by reference to (i) the unaudited net assets value of the Disposed Group as at 30 April 2014 of approximately HK\$36.3 million; and (ii) the Disposal Consideration of HK\$35 million.

After Completion, the Target will no longer be a subsidiary of the Group. Accordingly, the assets, liabilities and the financial results of the Disposed Group will no longer be consolidated into the financial statements of the Group.

## **LISTING RULES IMPLICATIONS**

Given certain of the applicable percentage ratios exceed 5% but below 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Board”	the board of Directors of the Company
“Company”	China Agrotech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Directors”	the directors of the Company
“Disposal Agreement”	the unconditional disposal agreement dated 12 June 2014 and entered into among the Company and the Purchaser in relation to the sale and purchase of the entire issued share capital of the Target
“Disposal”	the disposal of the entire equity interests in the Target under the Disposal Agreement
“Disposal Consideration”	the consideration of HK\$35,000,000 (equivalent to RMB28,000,000) for the sale and purchase of the entire issued share capital of the Target pursuant to the Disposal Agreement
“Disposed Group”	the Target and its subsidiaries, namely, Sky Victory International Holdings Limited and Jinan Yinong Chemical Industry Company Limited
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Independent Third Parties”	any person or company and their respective ultimate beneficial owner(s) which, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	Rich Water Global Limited, a company incorporated in the British Virgin Islands with limited liability
“Shareholders”	holders of the Shares
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Fast Base Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, a direct wholly-owned subsidiary of the Company as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board of  
**China Agrotech Holdings Limited**  
**Wu Shaoning**  
*Chairman*

Hong Kong, 12 June 2014

*As of the date of this announcement, the Board comprises Mr. Wu Shaoning and Ms. Chen Xiao Fang as the executive directors of the Company and Mr. Zhang Shaosheng, Mr. Wong Kin Tak and Mr. Li Yik Sang as the independent non-executive directors of the Company.*