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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)**

### **VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION INVOLVING ISSUE OF CONVERTIBLE BONDS AND PROMISSORY NOTES ACQUISITION OF ALL ISSUED SHARES IN PRESENT SINO LIMITED AND RESUMPTION OF TRADING**

**Financial Adviser**



**KINGSTON CORPORATE FINANCE LIMITED**

#### **S&P AGREEMENT**

The Board is pleased to announce that further to the letter of intent as announced on 12 March 2010, on 22 June 2010 (after trading hours), the Company, the Vendors and the Warrantors entered into the S&P Agreement to formalise the intended acquisition of the Sale Shares. Pursuant to the S&P Agreement, the Company agreed to acquire from the Vendors the Sale Shares, representing all issued shares in the Target Company, at an aggregate Consideration of HK\$1,000,000,000 to be satisfied by the issue of the Promissory Notes and the Convertible Bonds. Subject to and in accordance with the terms and conditions of the S&P Agreement, the Target Company shall become a wholly-owned subsidiary of the Company upon Completion.

The principal business of the Target Group is, among other things, research and development, nursing, planting and sales of landscaping seedlings, led by whitebark pine and other rare seedlings. The PRC Subsidiary's current seedling bases are located in Shanxi Province and Beijing, the PRC, and is planning on the construction of new seedling promotion parks in Shanxi, Beijing and Tianjin, the PRC.

\* For identification purposes only

## **IMPLICATIONS UNDER THE LISTING RULES**

The S&P Agreement constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, the First Vendor, Mr. Wu Shaoning, being an executive Director and a Controlling Shareholder, held 203,200,000 Shares, representing approximately 31.61% of the total issued share capital of the Company. The First Vendor is therefore a connected person of the Company and the S&P Agreement constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the S&P Agreement and the transactions contemplated thereunder are subject to approval by the Independent Shareholders at the EGM.

As at the date of this announcement, the Fourth Vendor and its associates are interested in 750,000 Shares, representing approximately 0.12% of the issued share capital of the Company; and the Fifth Vendor and its associates are interested in 580,000 Shares, representing approximately 0.09% of the issued share capital of the Company. Accordingly, save for the First Vendor, Fourth Vendor and Fifth Vendor and their associates, no Shareholder is required to abstain from voting to approve the S&P Agreement and the transactions contemplated thereunder at the EGM.

Save for the First Vendor, as at the date of this announcement, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners are Independent Third Parties and the Vendors are not parties acting in concert among themselves. There was no prior transaction between the Company and the Vendors and its associates in the past 12 months prior to the date of the S&P Agreement which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

## **GENERAL**

The EGM will be held to consider, and if thought fit, to pass the resolution(s) to approve the S&P Agreement and the transactions contemplated thereunder.

An independent board committee of the Company will be established to advise the Independent Shareholders in relation to the S&P Agreement and the transactions contemplated thereunder and an independent financial adviser has been appointed to advise the independent board committee and the Independent Shareholders in these respects.

A circular containing, amongst other things, (i) further details of the S&P Agreement; (ii) a letter of advice from an independent financial adviser in respect of the S&P Agreement and the transactions contemplated thereunder; and (iii) a letter of recommendation from the independent board committee of the Company in respect of the S&P Agreement and the transactions contemplated thereunder, together with the notice of EGM will be despatched to the Shareholders. As additional time will be required for the preparation of the accountants' report of the Target Group, the Company expects that circular will be despatched to Shareholders on or before 25 August 2010.

**Shareholders and investors should note that the S&P Agreement is subject to various conditions as stated in the section headed “Conditions precedent” herein and therefore the acquisition of the Sale Shares may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.**

### **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange with effect from 9:30 a.m. on 23 June 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 28 July 2010.

### **BACKGROUND**

Reference is made to the Company’s announcement dated 12 March 2010 in relation to the letter of intent on a possible acquisition of the Target Company. On 22 June 2010 (after trading hours), the S&P Agreement has been entered into among the Vendors, the Company being the purchaser and the Warrantors to formalise the intended acquisition of the Sale Shares.

### **S&P AGREEMENT**

**Date:** 22 June 2010 (after trading hours), as supplemented by the Supplemental Agreement dated 27 July 2010

**Parties:**

Purchaser: the Company

Vendors:		<b>Number of shares held in the Target Company as at the date of this announcement</b>
First Vendor	Mr. Wu Shaoning	51,000 shares, representing 51% of all issued shares in the Target Company
Second Vendor	Mr. Xue Zhixin	18,000 shares, representing 18% of all issued shares in the Target Company
Third Vendor	Ms. Liu Shufeng	6,250 shares, representing 6.25% of all issued shares in the Target Company

Vendors:		<b>Number of shares held in the Target Company as at the date of this announcement</b>
Fourth Vendor	Bigtime Success Limited	3,750 shares, representing 3.75% of all issued shares in the Target Company
Fifth Vendor	Apex Gain Holdings Limited	2,500 shares, representing 2.5% of all issued shares in the Target Company
Sixth Vendor	Metro Party Limited	3,750 shares, representing 3.75% of all issued shares in the Target Company
Seventh Vendor	Perfect Silver Limited	3,750 shares, representing 3.75% of all issued shares in the Target Company
Eighth Vendor	Charter Basic Limited	5,000 shares, representing 5% of all issued shares in the Target Company
Ninth Vendor	Quality Sino Limited	6,000 shares, representing 6% of all issued shares in the Target Company
TOTAL		100,000 shares, representing all issued shares in the Target Company

The Fourth Vendor, Fifth Vendor, Sixth Vendor, Seventh Vendor, Eighth Vendor and the Ninth Vendor are investment holding companies. The First Vendor is an executive Director and a Controlling Shareholder and held 203,200,000 Shares, representing approximately 31.61% of the issued share capital of the Company as at the date of this announcement and hence a connected person of the Company.

### **Sale Shares to be acquired**

Pursuant to the S&P Agreement, the Vendors agreed to sell and the Company agreed to purchase the Sale Shares, representing all issued shares in the Target Company.

The Target Company is an investment holding company. The Target Group is principally engaged in research and development, nursing, planting and sales of landscaping seedlings, led by whitebark pine and other rare seedlings. Subject to and in accordance with the terms and conditions of the S&P Agreement, the Target Group shall become wholly-owned subsidiaries of the Company upon Completion.

## Consideration and terms of payment

The Consideration of HK\$1,000,000,000 as to HK\$800,000,000 shall be satisfied by the issue of the Convertible Bonds; and as to HK\$200,000,000 shall be satisfied by the issue of the Promissory Notes as follows:

<u>Vendors</u>	<u>Payment terms</u>
First Vendor	Total consideration of HK\$408,000,000 to be satisfied on Completion:  (a) as to HK\$276,000,000 by the issue of the Convertible Bonds in the principal amount of HK\$276,000,000; and  (b) as to HK\$132,000,000 by the issue of the First Promissory Note.
Second Vendor	Total consideration of HK\$344,000,000 to be satisfied on Completion:  (a) as to HK\$276,000,000 by the issue of the Second Convertible Bonds; and  (b) as to HK\$68,000,000 by the issue of the Second Promissory Note.
Third Vendor	Total consideration of HK\$50,000,000 to be satisfied on Completion by the issue of the Convertible Bonds in the principal amount of HK\$50,000,000.
Fourth Vendor	Total consideration of HK\$30,000,000 to be satisfied on Completion by the issue of the Convertible Bonds in the principal amount of HK\$30,000,000.
Fifth Vendor	Total consideration of HK\$20,000,000 to be satisfied on Completion by the issue of the Convertible Bonds in the principal amount of HK\$20,000,000.
Sixth Vendor	Total consideration of HK\$30,000,000 to be satisfied on Completion by the issue of the Convertible Bonds in the principal amount of HK\$30,000,000.
Seventh Vendor	Total consideration of HK\$30,000,000 to be satisfied on Completion by the issue of the Convertible Bonds in the principal amount of HK\$30,000,000.
Eighth Vendor	Total consideration of HK\$40,000,000 to be satisfied on Completion by the issue of the Convertible Bonds in the principal amount of HK\$40,000,000.

Ninth Vendor                      Total consideration of HK\$48,000,000 to be satisfied on Completion by the issue of the Convertible Bonds in the principal amount of HK\$48,000,000.

The Consideration (comprising the Convertible Bonds and Promissory Notes) is subject to the Consideration Adjustment on the part of consideration payable to the Second Vendor.

The Consideration of HK\$1,000,000,000 was determined after arm's length negotiations between the Company and the Vendors with reference to: (i) the unaudited net assets value of the Target Group of approximately HK\$1,118,815,000 (as adjusted to the account for the capitalisation of a shareholder's loan of HK\$91,120,000 which took effect in May 2010) as at 30 April 2010; (ii) a preliminary valuation report provided by an independent professional valuer on the biological assets of the Target Group of RMB963,000,000 (approximately HK\$1,096,000,000) as at 30 April 2010 on a market value basis; (iii) the Consideration Adjustment; and (iv) the potential development prospect of the Target Group.

In respect of the Consideration Adjustment, the Second Vendor is willing to undertake to the Company under the S&P Agreement to pay to the Company any Shortfall in the event that the Net Profits as shown in the 2011 Accounts and/or the 2012 Accounts is/are less than the Target Net Profits, as a mechanism to adjust the Consideration. Details in relation to such adjustment are set out under the paragraph headed "Consideration Adjustment" below. The Second Vendor, Mr. Xue Zhixin, who is also the general manager of the Target Company, has over 10 years of experience in the seedlings business. The Second Vendor commenced his research and development, nursing and planting of whitebark pine since 2003. Based on the aforesaid, with the Second Vendor's extensive experience in the industry and his undertaking, it provides additional comfort and assurance to the Company that the Target Company is a prominent investment with good potential and the Target Group will benefit from the Second Vendor's expertise in the seedling industry.

In terms of the apportionment of the Consideration among the Vendors, the Company has considered the value of the Target Group as a whole and agreed with the Vendors, after arm's length negotiations, on the Consideration which represents a discount to the unaudited net assets value of the Target Group as at 30 April 2010 and a discount to the preliminary valuation as mentioned above. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the apportionment of the Consideration was the result of the negotiations among the Vendors themselves, in particular the apportionment of consideration payable to the Second Vendor after taking into account of his experience and expertise in the business and industry, as well as his undertaking in respect of the Target Net Profits and being solely responsible for the Consideration Adjustment. On this basis, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the First Vendor, through Sky Link, a wholly-owned subsidiary of his then wholly-owned Target Company, acquired the entire interests of the PRC Subsidiary at HK\$91,120,000, which completion took place in January 2010 (the "**Original Acquisition**"). The then consideration for the Original Acquisition was determined based on arm's length negotiation between the parties with reference to the then net asset value of the PRC Subsidiary of approximately RMB260 million and the then fair value of the biological

assets of the PRC Subsidiary of approximately RMB270 million. At the time of the Original Acquisition, the PRC Subsidiary had four plantation and cultivation locations covering an aggregate land area of approximately 16,400 Chinese Mu for small seedlings of whitebark pine and various species of scrub and flowers. The sales activities of the PRC Subsidiary was not commenced until March 2010 and no turnover was recorded prior to and up to the time of the Original Acquisition.

The First Vendor, subsequently disposed of certain shareholdings in the Target Company to other Vendors and as a result of the Target Company's further new shares allotment, held 51,000 shares, representing 51% of all issued shares in the Target Company as at the date of this announcement.

The Board noted the consideration of HK\$408,000,000 in forms of Convertible Bonds and First Promissory Note payable to the First Vendor represents an increase of approximately 347.76% from his original acquisition cost of HK\$91,120,000. Having considered: (i) at the time of the Original Acquisition, the Target Group was still undergoing a reorganisation and subject to the risk of the due diligence result not being satisfactory, where the reorganisation of the Target Group was subsequently completed in January 2010; (ii) subsequent to the Original Acquisition, the number of plantation and cultivation locations of the PRC Subsidiary has increased from four to eight locations covering an aggregate land area of approximately 21,800 Chinese Mu for both large and small seedlings of whitebark pine and various species of scrub and flowers where, in general, the value of large seedlings of whitebark pine (which was acquired in April 2010 with a fair value of approximately HK\$740,000,000) is higher than small seedlings of whitebark pine; (iii) the Target Group recorded no turnover until March 2010 and obtained a number of letters of intent in respect of sales of seedling and other projects only after the Original Acquisition; (iv) as mentioned above, the unaudited net assets value of the Target Group as at 30 April 2010 was approximately HK\$1,118,815,000 (as adjusted to the account for the capitalisation of a shareholder's loan of HK\$91,120,000 which took effect in May 2010), and (v) the value of the biological assets of the Target Group, based on the preliminary valuation report provided by an independent professional valuer on market basis, was approximately HK\$1,096,000,000 as at 30 April 2010, the Board is of the view that the consideration payable to the First Vendor for his 51% shareholding in the Target Company is fair and reasonable.

### **Convertible Bonds**

Pursuant to the S&P Agreement, part of the Consideration shall be satisfied by the Company by the issue of Convertible Bonds in an aggregate principal amount of HK\$800,000,000 to the Vendors. Upon full conversion, 800,000,000 Conversion Shares shall be allotted and issued at the Conversion Price in accordance to the terms and conditions of the Convertible Bonds as summarised below. As at the date of this announcement, the Company has 642,765,216 Shares in issue. The Conversion Shares represent approximately 124.46% of the issued share capital of the Company as at the date of this announcement and approximately 55.45% of the issued share capital of the Company as enlarged by the issue of Conversion Shares.

The principal terms of the Convertible Bonds are as follows:

Issuer:	the Company
Bondholders:	the Vendors
Principal amount:	HK\$800,000,000 in aggregate
Interest:	Nil
Maturity Date:	the fifth anniversary of the date of issue
Date of issue:	date of Completion
Conversion period:	<p>For the Bondholders other than the Second Vendor: any time during the period commencing from the Business Day immediate after the date of issue and ending on and excluding the maturity date of the Convertible Bonds</p> <p>For the Second Vendor:</p> <ul style="list-style-type: none"><li>• Principal amount of HK\$50,000,000 of the Second Convertible Bonds: at any time during the period commencing from the Business Day immediately after the publication of the Company's annual results for the financial year ending 30 June 2011 and ending on and excluding the maturity date of the Convertible Bonds;</li><li>• Principal amount of HK\$82,000,000 of the Second Convertible Bonds: at any time during the period commencing from the Business Day immediately after the publication of the Company's annual results for the financial year ending 30 June 2012 and ending on and excluding the maturity date of the Convertible Bonds; and</li><li>• The remaining principal amount of the Second Convertible Bonds with principal amount of HK\$144,000,000: at any time during the period commencing from the Business Day immediately after the date of issue and ending on and excluding the maturity date of the Convertible Bonds</li></ul>



Conversion Price:

HK\$1.00 per Conversion Share subject to adjustments in each of the following cases (detailed provisions are set out in the terms and conditions of the Convertible Bonds):

- (a) an alteration of the nominal amount of the Shares by reason of any consolidation or subdivision;
- (b) an issue (other than in lieu of a cash dividend) of Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
- (c) a capital distribution being made by the Company, whether on a reduction of capital or otherwise, to the Shareholders in their capacity as such or rights being granted to Shareholders to acquire for cash assets of the Group;
- (d) an offer or grant being made by the Company to the Shareholders by way of rights or of options or warrants to subscribe for or purchase Shares at a price which is less than 80% of the market price;
- (e) an issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, and the total effective consideration per Share initially receivable for such securities is less than 80% of the market price at the date of the announcement of the terms of issue such securities, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the conversion or exchange rate or subscription price in respect of such securities in effect immediately following such modification shall be less than the conversion or exchange rate or subscription price in effect immediately preceding such modification;
- (f) an issue being made by the Company wholly for cash of Shares (other than Shares allotted and issued pursuant to an employee share option scheme of the Company) at a price per Share less than 80% of the market price at the date of the announcement of the terms of such issue;
- (g) an issue of Shares for the acquisition of assets at a price per Share less than 80% of the market price at the date of the announcement of the terms of such issue;

- (h) a purchase of any Shares (other than any purchases made on the Stock Exchange or any other stock exchange); and
- (i) where the Company determines that an adjustment should or should not be made to the Conversion Price.

The initial Conversion Price of HK\$1.00 per Conversion Share represents:

- a premium of approximately 21.95% over the closing price of HK\$0.82 per Share as quoted on the Stock Exchange on the Last Trading Day;
- a premium of approximately 29.20% over the average of the closing prices of approximately HK\$0.774 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to and including the Last Trading Day; and
- a premium of approximately 35.50% over the average of the closing prices of approximately HK0.738 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day.

Ranking of the Conversion Shares:

The Conversion Shares, when allotted and issued, will rank pari passu in all respects with all Shares in issue at the date of allotment and issue of such Conversion Shares.

Limitation on conversion:

- (a) During the applicable conversion period, the Company shall not issue any Conversion Shares thereof if, immediately following such issue, the Bondholder together with the parties acting in concert with it will hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeovers Code (whether or not a waiver of the mandatory general offer obligation has been granted) provided that such limitation will not apply if (i) the mandatory general offer obligation is triggered by an increase of the Company's voting power at general meetings of the First Vendor (and/or companies wholly-owned by him) only and a waiver of such mandatory general offer obligation has been granted, or (ii) a waiver of the mandatory general offer obligation has been granted and the conversion will not trigger a reverse takeover under the Listing Rules.

- (b) The Bondholders shall not exercise any of the conversion rights attaching to the Convertible Bonds, if following such exercise, the Company's minimum public float of the Shares as required under the Listing Rules cannot be maintained.
- (c) If, at the time a conversion notice is served on the Company by the Second Vendor, there is any sum due and payable by the Second Vendor to the Company under his undertaking to the Company in respect of the Consideration Adjustment, the principal amount of the Second Convertible Bonds to be converted shall be deemed to have reduced by such sum due to the Company and the number of Shares to be converted shall be reduced accordingly.

Redemption:

Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each Convertible Bonds at its principal amount on the maturity date of the Convertible Bonds. The Company shall, on the occurrence of any event of default as mentioned below, redeem all the Convertible Bonds then outstanding at a value equal to the aggregate of the principal amount outstanding under the Convertible Bonds.

Transferability:

The Convertible Bonds may be transferred or assigned in whole or in part by the Bondholders to any person or company not being a connected person of the Company (unless relevant disclosures and/or Shareholders' approval (if applicable) requirements as prescribed under the Listing Rules have been complied with), provided that the Bondholders shall serve not less than seven days' prior written notice on the Company before the transfer take place and that the Convertible Bonds may not be transferred by the Second Vendor during any period other than the conversion period as mentioned in the above paragraph "Conversion period" in this section.

The Company will notify the Stock Exchange immediately upon becoming aware of any dealings in the Convertible Bonds by connected persons of the Company.

Events of default:

Events of default shall include the following:

- (a) if the Company fails to make a payment, whether of principal, interest, premium or otherwise, in accordance to the conditions set out therein;

- (b) any default in the performance or observance by the Company or any of its subsidiaries of any obligations set out therein (except where such failure is not capable of remedy) and such default shall continue for ten Business Days after written notice of such default shall have been given to the Company by the Bondholder;
- (c) if an order is made or an effective resolution is passed for winding up, liquidation or dissolution of the Company and of its subsidiaries;
- (d) if the holder of any encumbrance takes possession or a receiver is appointed of the whole or material part of the assets or undertaking of the Company and of its subsidiaries;
- (e) if the Company or any of its subsidiaries ceases or threatens to cease to carry on its business or a part thereof which is a material part of the business of the Group taken as a whole;
- (f) if the Company or any of its subsidiaries is unable to fulfill any of its obligations for or in respect of its financial indebtedness as and when they fall due or the Company or any such subsidiary shall initiate or consent to proceedings relating to itself under any applicable bankruptcy, reorganization or insolvency law or make an assignment for the benefit of, or enter into any composition with its creditors;
- (g) if the trading of Shares on the Stock Exchange is withdrawn or suspended other than for a temporary suspension of trading for a period of not more than 14 consecutive Business Days;
- (h) if it shall become unlawful for the Company to perform all or any of its obligations under the Bonds or the conditions therein or the Convertible Bonds shall for any reason cease to be in full force or effect or shall be declared to be void or illegal by any court of competent jurisdiction;

- (i) if there are any litigation, arbitration, prosecution or other legal proceedings outstanding for the time being against the Company or any of its subsidiaries, or any litigation, arbitration, prosecution or other legal proceedings involving such amount are threatened against the Company or any of its subsidiaries, which may have a significant financial impact on the Group and/or may have a material adverse effect on the operations or the financial position of the Group taken as a whole; and
- (j) if any representation or warranty made or deemed to be made by the Company in the S&P Agreement proves to have been incorrect or misleading in any material respect.

Variation to conditions: Terms of the conditions therein may be varied by agreement in writing between the Company and the Bondholders of 51% or more of the principal amount of the Convertible Bonds then outstanding.

Governing Law: The Convertible Bonds shall be governed by and construed in accordance with the laws of Hong Kong.

### **Application for Listing**

No application will be made by the Company to the Listing Committee for the listing of the Convertible Bonds.

Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares. The Conversion Shares, when allotted and issued, will rank *pari passu* in all respects with the Shares in issue on their date of allotment and issue. The Conversion Shares will be allotted and issued under a specific mandate to be sought from the Independent Shareholders at the EGM.

### **Promissory Notes**

The principal terms of the Promissory Notes are as follows:

Principal amount:	First Promissory Note	– HK\$132,000,000
	Second Promissory Note	– HK\$68,000,000

Due date: on the Business Day immediately following the expiry of three months from the date of publication of the annual results of the Company for the financial year ending 30 June 2012

Interest: Nil

## Conditions precedent

Completion is conditional upon fulfillment of, inter alia, the following conditions:

- (a) the passing by the Independent Shareholders of all necessary resolutions at the EGM approving the S&P Agreement and the transactions contemplated thereunder, including but not limited to, the issue of the Promissory Notes and the issue of the Convertible Bonds and the Conversion Shares (subject to exercise of the conversion rights attaching to the Convertible Bonds) in accordance with the terms of the S&P Agreement;
- (b) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Conversion Shares subject to the exercise of the conversion rights attaching to the Convertible Bonds (and such permission and listing not subsequently being revoked prior to the delivery of the certificate(s) with respect to the Convertible Bonds;
- (c) the continuous listing of and permission to deal in the issued Shares from the date of the S&P Agreement up to and including the date of Completion save for any temporary suspension of dealing pending clearance of the announcement relating to the transactions contemplated under the S&P Agreement in accordance with the Listing Rules;
- (d) the Company having received from the Vendors legal opinions in forms and contents satisfactory to the Company to be issued by a firm of reputable lawyers in the PRC and a firm of reputable lawyers in the BVI respectively, in each case acceptable to the Company on such issues relating to the PRC Subsidiary under the laws of the PRC and on such issues relating to the Target Company under the laws of the BVI respectively;
- (e) the Company having received from the Vendors the 2010 Accounts prepared by the auditors of the Company showing a net asset value (as adjusted to account for the capitalization of a shareholder's loan of the Target Company of HK\$91,120,000 which took effect in May 2010) of not less than HK\$1,000,000,000;
- (f) the Company having received from the Vendors a valuation report of the Target Group's biological assets as at 30 April 2010 prepared by a professional valuer acceptable to the Company showing a valuation amount of not less than HK\$900,000,000;
- (g) the warranties remaining true, accurate and complete in all respects and not misleading in any respect as at Completion;
- (h) all other requisite consents, authorizations and approvals (or, as the case may be, the relevant waiver) in connection with the entering into and performance of the terms of the S&P Agreement having been obtained by the Vendors;
- (i) the Purchaser being satisfied that there has been no any event, change in or effect on any member of the Target Group that, individually or in the aggregate, has had or is reasonably expected to have a material adverse effect on the business, condition (financial or otherwise), results of operations, and assets and prospects of any member of the Target Group as at Completion;

- (j) no breach of obligations and undertakings given by the Warrantors to be performed before Completion having occurred;
- (k) the Company being satisfied that the public float requirement under Rule 8.08 of the Listing Rules will be complied with in respect of the issue of any Conversion Shares; and
- (l) the compliance with regulatory requirements of the PRC (except for the compliance of the relevant PRC tax requirements (if any) in connection with the sale and purchase of the Sale Shares which shall be the sole responsibilities of the relevant Vendors), if any, in respect of the transactions contemplated in the S&P Agreement and/or any document thereof.

As soon as the conditions precedent (other than the conditions (g), (i) and (j) to be fulfilled or waived before Completion) have been fully satisfied or waived, as the case may be, the Vendors shall give written notice of the same to the Company. In the event that the above conditions are not fulfilled or waived (all conditions can be waived except conditions (a) and (b)) on or before the Long Stop Date, the Company shall not be bound to proceed with the sale and purchase of the Sale Shares and the Company shall be entitled to terminate the S&P Agreement by notice in writing to the Vendors whereupon the parties shall be released and discharged from their respective obligations under the S&P Agreement (save for any antecedent breaches of the terms thereof).

### **Consideration Adjustment**

Pursuant to the S&P Agreement, the Second Vendor has undertaken to the Company that in the event that the Net Profit as shown in the 2011 Accounts and/or the 2012 Accounts is/are less than the Target Net Profits, being no less than HK\$120,000,000 in the 2011 Accounts and no less HK\$150,000,000 in the 2012 Accounts respectively, the Second Vendor shall pay to the Company or settle by way of set off against the principal amount of the Second Convertible Bonds any Shortfall amount on a dollar-to-dollar basis on or before the end of three months from the date of publication of the annual results of the Company for the financial year ending 30 June 2011 and 30 June 2012 respectively.

The Target Net Profits and Consideration Adjustment are determined based on arm's length negotiation between the parties with reference to the operating results of the Target Group for the four months ended 30 April 2010, seasonal factors of the business and the potential development prospect of the Target Group.

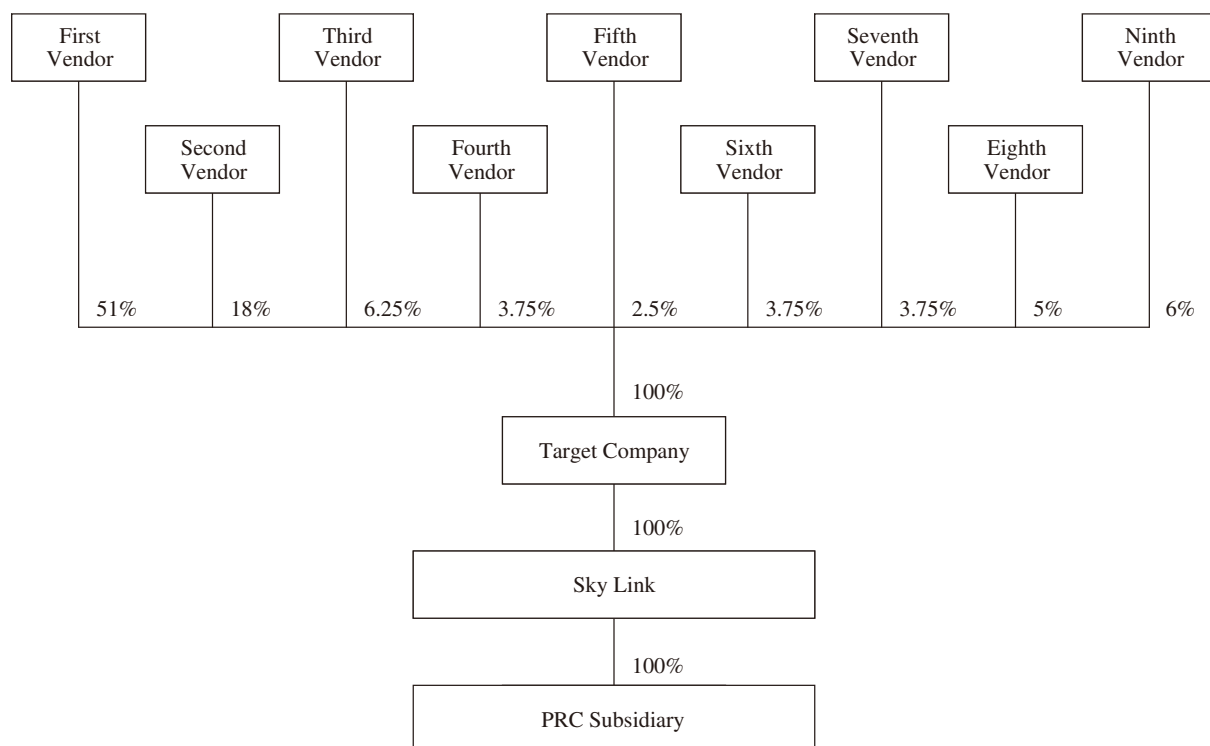
The Second Vendor (i) agreed to have the Second Convertible Bonds with principal amount of HK\$132,000,000 not being transferrable or disposable pursuant to the terms of the S&P Agreement as mentioned in the above paragraph "Conversion period" in the above section; and (ii) agreed that the principal amount of the Second Promissory Note shall be reduced by any sum due to the Company in respect of any unsettled Shortfall amount and the sum payable by the Company to the Second Vendor under the Second Promissory Note on the due date shall be reduced accordingly.

## Completion

Subject to the continuing fulfillment of the conditions precedent or waiver thereof, Completion will take place on the third Business Day following the fulfilment of the conditions precedent (other than conditions (g), (i) and (j)) or waiver thereof (as the case may be) in accordance with the S&P Agreement (or such later date as the parties to the S&P Agreement may agree in writing).

## INFORMATION OF THE TARGET GROUP

The shareholding structure of the Target Group as at the date of this announcement is set out below:



The Target Company was incorporated in the BVI on 6 July 2009 with limited liability and is principally engaged in the business of investment holding. Except for the holding of shares in Sky Link, the Target Company does not have operation and hence no turnover has been recognised since its incorporation.

Sky Link is incorporated was Hong Kong on 12 August 2009 with limited liability and is principally engaged in the business of investment holding. Save for the acquisition of the PRC Subsidiary in January 2010, Sky Link does not have operation and hence no turnover has been recognised since its incorporation.

The PRC Subsidiary was incorporated in the PRC on 24 February 2009 and was acquired by Sky Link in January 2010. Operation of the PRC Subsidiary has commenced since its establishment and turnover was recognised since March 2010.



Set out below are the unaudited financial figures of (i) the Target Group; and (ii) the PRC Subsidiary prepared in accordance with Hong Kong Financial Reporting Standards:

*The Target Group:*

	<b>For the period from the date of incorporation of the Target Company (6 July 2009) to 31 December 2009 HK\$'000</b>	<b>For the period from 1 January 2010 to 30 April 2010 HK\$'000</b>
Turnover	–	66,956
Profit/(loss) before tax	(37)	1,026,986 <sup>(Note 1)</sup>
Profit/(loss) after tax	(37)	1,026,986
		<b>As at 30 April 2010 HK\$'000</b>
Net assets	351	1,118,815 <sup>(Note 2)</sup>

*The PRC Subsidiary:*

	<b>For the period from the date of incorporation (24 February 2009) to 31 December 2009 HK\$'000</b>	<b>For the period from 1 January 2010 to 30 April 2010 HK\$'000</b>
Turnover	–	66,956
Profit before tax	15,962 <sup>(Note 3)</sup>	803,677 <sup>(Note 4)</sup>
Profit after tax	15,962	803,677
		<b>As at 30 April 2010 HK\$'000</b>
Net assets	314,454	1,118,489

*Notes:*

1. The amount included (i) a negative goodwill on acquisition of the PRC Subsidiary of approximately HK\$223,334,000 and (ii) a gain on change in fair value of biological assets of approximately HK\$764,646,000.
2. The net assets of the Target Group as at 30 April 2010 was adjusted to account for the capitalisation of a shareholder's loan of the Target Company of HK\$91,120,000 which was resolved to be capitalised in March 2010 but formally took effect in May 2010.

3. The amount included a gain on change in fair value of biological assets of approximately HK\$18,675,000.
4. The amount included a gain on change in fair value of biological assets of approximately HK\$764,646,000.

### **Business of the PRC Subsidiary**

The PRC Subsidiary is principally engaged in research and development, nursing, planting and sales of landscaping seedlings, led by whitebark pine and other rare seedlings. The PRC Subsidiary's current seedling bases are located in Shanxi Province and Beijing, the PRC, and is planning on the construction of new seedling promotion parks in Shanxi, Beijing and Tianjin, the PRC.

Details of the business segments of the PRC Subsidiary are as follows:

#### *Plantation and cultivation*

The PRC Subsidiary currently operates plantation bases with an aggregate land area of approximately 21,800 Chinese Mu for plantation and cultivation of seedlings, led by rare species:

<b>Location</b>	<b>Land area (approximate Chinese Mu)</b>	<b>Nature of plantation base (species of plants)</b>	<b>Terms of leasehold land</b>
Hongxiang Rural Village and Lingdi Rural Village, Jiaocheng county, Shanxi province (comprising six natural villages)	Total 8,603 comprising:	Cultivation base in hill land (small seedlings of whitebark pine)	
	1,300		until December 2052
	833		until December 2052
	2,500		until December 2054
	720		until December 2054
	2,100		until December 2054
Xishe, Jiaocheng county, Shanxi province	4,457	Forest land base (large seedlings of whitebark pine)	until July 2079
Lixiu Village, Houcheng Xiang, Taigu County, Jinzhong City, Shanxi Province	343	Seedling park (various species of arbor)	until March 2030

<b>Location</b>	<b>Land area (approximate Chinese Mu)</b>	<b>Nature of plantation base (species of plants)</b>	<b>Terms of leasehold land</b>
Zhangxing Village, Xinghua Town, Fenyang City, Shanxi Province	420	Cultivation base for seedlings of whitebark pine	until February 2029
Shihou Village, Jiaocheng County, Luliang City, Shanxi province	1,001	Seedling park (various species of arbor, shrub and herbaceous flower)	until August 2052
Shiligou Village, Shitie Town, Yuci District, Jinzhong City, Shanxi Province	6,462	Cultivation base in hill land (small seedlings of whitebark pine)	until December 2059
Xishuiquan Village and Hezhuang Village, Shunyi District, Beijing	420	Seedling breeding base (various scare and new species of scrub and flower)	until December 2029
Chang Ping District, Beijing	150	Seedling breeding base (various scare and new species of scrub and flower)	until December 2027

Further information of the plantation fields:

<b>Species</b>	<b>Heights</b>	<b>Approximate number of plantations grown</b>	<b>Current average market price per tree (RMB)</b>
Whitebark pine			
– nutrient-bag seedlings	Below 30 cm	2,923,000	4
– small seedlings	30 cm – 1 m	3,779,000	62
– large seedlings	Above 5 m	219,000	3,000
Oriental arborvitae	6 cm (diameter)	18,000	1,200
Jujube trees	7 cm (diameter)	36,000	838
Other seedlings of flowers and shrubs	–	5,440,000	2

During the four months' period ended 30 April 2010, the PRC Subsidiary has a turnover of approximately HK\$66,956,000 in respect of sale of seedlings, majored in whitebark pine.

As at the date of this announcement, the PRC Subsidiary has signed letters of intent for the supply of an aggregate of 300,000 small seedlings and 1,000,000 nutrient-bag seedlings of whitebark pine respectively; as well as various species of color-leave plants.

The PRC Subsidiary has its own forestry bio-engineering research centre and is setting up a scientists workstation in Beijing, the PRC, with experienced research team of forestry experts collaborating with university professors and post-graduates undergoing bio-engineering, research and development of forest breeding and seedling cultivation.

The PRC Subsidiary is dedicated to develop (i) plants which can endure dry season or extreme climates and grow on arid lands for ecological rehabilitation purpose on mountains and in cities; and (ii) new or bio-engineered species of color-leave plants and various scarce and new species of scrub and flower for landscape architecture.

#### *Landscape architecture*

The scope of business of the PRC Subsidiary in landscape architecture includes parks and recreation planning, visual resource management, green infrastructure planning and provision, private estate and residence landscape master planning and design and varying scales of design, planning and management for governmental organisations, property developers, private households and companies.

As at the date of this announcement, the PRC Subsidiary has signed a letter of intent to engage in an landscape architecture project with a land area of approximately 6,000 Chinese mu.

#### *Ecological rehabilitation*

Despite a principal contributor to the rapid economic growth, the mining industry in Shanxi and other regions of the PRC produced a large amount of wasteland and caused soil erosion and desertification as well as other environmental damages. The PRC government attaches great importance to ecological rehabilitation in mining areas which are explicitly stipulated in implemented laws and regulations.

The PRC Subsidiary planned to engage in the ecological rehabilitation projects for the mine operators and government regulatory agencies and carry out plantation and forestry management in the arid and dry areas. As at the date of this announcement, the PRC Subsidiary has signed letters of intent to engage in ecological rehabilitation projects with an aggregate land area of approximately 53,000 Chinese mu for the supply of seedlings of calcium-fruit trees.

## **REASONS FOR AND BENEFITS OF THE S&P AGREEMENT**

The Group is principally engaged in: (i) the trading of fertilizers, pesticides, other agricultural resources products; (ii) the manufacturing and selling of plant growth regulatory products, pesticides and fertilizers; (iii) the provision of plant protection technical services; and (iv) the trading of non-agricultural resources products in the PRC.

The Directors are of the view that the future development of PRC economy is the fundamental driving force for the growth of the seedling industry, and the accelerating pace of urbanization and traffic afforestation projects in the PRC as well as the rapid development of real estate industry and tourist industry will greatly drive the demands for landscaping seedlings.

In addition, based on 林業產業振興規劃(2010-2012年) (Forestry Industry Development Plan (Year 2010-2012)\*) jointly issued by the State Forestry Administration, P.R. China, National Development and Reform Commission, Ministry of Finance People Republic of China, Ministry of Commerce of the People's Republic of China and the State Administration of Taxation on 29 October 2009, the gross product value of forestry industries has been targeted to be increased from RMB1,440 billion in 2008 to RMB2,260 billion in 2012 with a steady growth rate of approximately 12% per year and the PRC government will provide financial support and encourage financial institutions to offer loan facilities with favorable terms to enterprises which engaged in seedlings planting.

In light of the above, the Directors are optimistic about the prospect of seedling industry in the PRC and are of the view that the acquisition of the Target Group will allow the Company to diversify its scope of agriculture business and further utilise its distribution network of agricultural resources products developed over the years, enlarge its asset base and enhance its source of income. Hence, the Directors believe that the acquisition of the Target Group represents a good investment opportunity in the agriculture domain for the Group and it will be beneficial to the Company and the Shareholders as a whole.

Taking into account the abovementioned factors, the Board considers the S&P Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **SHAREHOLDING STRUCTURE OF THE COMPANY**

As at the date of this announcement, the Company has outstanding Existing Convertible Bonds in an aggregate principal amount of HK\$29,880,000 at the conversion price of HK\$0.90 per Share, which are convertible into 33,200,000 Shares upon full conversion, and outstanding share options of 48,670,000 Shares pursuant to the Company's share option scheme.

Assuming that (a) none of the Existing Convertible Bonds will be converted into Shares; (b) none of the outstanding share options of the Company will be exercised; and (c) no further new Shares other than the Conversion Shares will be issued, the shareholding structure of

the Company (i) as at the date of this announcement; and (ii) upon allotment and issue of the Conversion Shares (on the basis that the limitation on conversion mentioned above does not apply) will be as follows:

	<b>(i) As at date of this announcement</b>		<b>(ii) Upon full conversion of the Convertible Bonds</b> <sup>Note 4</sup>	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
First Vendor <sup>Note 1</sup>	203,200,000	31.61	479,200,000	33.21
Second Vendor	–	–	276,000,000	19.13
Third Vendor	–	–	50,000,000	3.47
Fourth Vendor <sup>Note 2</sup>	750,000	0.12	30,750,000	2.13
Fifth Vendor <sup>Note 3</sup>	580,000	0.09	20,580,000	1.43
Sixth Vendor	–	–	30,000,000	2.08
Seventh Vendor	–	–	30,000,000	2.08
Eighth Vendor	–	–	40,000,000	2.77
Ninth Vendor	–	–	48,000,000	3.33
Vendors	204,530,000	31.82	1,004,530,000	69.63
Independent Shareholders	438,235,216	68.18	438,235,216	30.37
<b>Total</b>	<b>642,765,216</b>	<b>100.00</b>	<b>1,442,765,216</b>	<b>100.00</b>

*Notes:*

1. The First Vendor is an executive Director and a Controlling Shareholder and hence a connected person of the Company.
2. The Fourth Vendor and its associates are interested in 750,000 Shares as at the date of this announcement. The ultimate beneficial owner of the Fourth Vendor is an employee of the Company and, is interested in 3,500,000 share options under the Company's share option scheme.
3. The Fifth Vendor and its associates are interested in 580,000 Shares as at the date of this announcement. The ultimate beneficial owner of the Fifth Vendor is an employee of the Company and is interested in 4,400,000 share options under the Company's share option scheme.
4. Pursuant to the terms of the Convertible Bonds, the conversion rights shall not be exercised if, immediately following the conversion: (i) the Company will be unable to meet the public float requirement under the Listing Rules; or (ii) the Bondholder(s) together with the parties acting in concert with it/them will hold or control such amount of the Company's voting power at general meetings as may trigger a mandatory general offer under the Takeovers Code (whether or not a waiver of the mandatory general offer obligation has been granted) provided that such limitation will not apply if (a) the mandatory general offer obligation is triggered by an increase of the Company's voting power at general meetings of the First Vendor (and/or companies wholly-owned by him) only and a waiver of such mandatory general offer obligation has been granted, or (b) a waiver of the mandatory general offer obligation has been granted and the conversion will not trigger a reverse takeover under the Listing Rules. This column is solely for illustrative purpose as the Convertible Bonds may not be fully converted by the Vendors in view of the terms of the Convertible Bonds pursuant to the S&P Agreement under the present shareholding structure.

## **IMPLICATIONS UNDER THE LISTING RULES**

The S&P Agreement constitutes a very substantial acquisition for the Company under the Listing Rules and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. The First Vendor is an executive Director and a Controlling Shareholder and held 203,200,000 Shares, representing approximately 31.61% of the existing issued share capital of the Company as at the date of this announcement. The First Vendor is therefore a connected person of the Company and the entering into of the S&P Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the S&P Agreement and the transactions contemplated thereunder are subject to approval by the Independent Shareholders at the EGM.

As at the date of this announcement, the Fourth Vendor and its associates are interested in 750,000 Shares, representing approximately 0.12% of the issued share capital of the Company; and the Fifth Vendor and its associates are interested in 580,000 Shares, representing approximately 0.09% of the issued share capital of the Company. Accordingly, save for the First Vendor, Fourth Vendor and Fifth Vendor and their associates, no Shareholder is required to abstain from voting to approve the S&P Agreement and the transactions contemplated thereunder at the EGM.

Save for the First Vendor, as at the date of this announcement and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owners are Independent Third Parties and the Vendors are not parties acting in concert among themselves. There was no prior transaction between the Company and the Vendors and its associates in the past 12 months prior to the date of the S&P Agreement which would otherwise require aggregation under Rule 14.22 of the Listing Rules.

## **GENERAL**

The EGM will be held to consider, and if thought fit, to pass the resolution(s) to approve the S&P Agreement and the transactions contemplated thereunder.

An independent board committee of the Company will be established to advise the Independent Shareholders in relation to the S&P Agreement and the transactions contemplated thereunder and an independent financial adviser has been appointed to advise the independent board committee and the Independent Shareholders in these respects.

A circular containing, amongst other things, (i) further details of the S&P Agreement; (ii) a letter of advice from an independent financial adviser in respect of the S&P Agreement and the transactions contemplated thereunder; and (iii) a letter of recommendation from the independent board committee of the Company in respect of the S&P Agreement and the transactions contemplated thereunder, together with the notice of EGM will be despatched to the Shareholders. As additional time will be required for the preparation of the accountants' report of the Target Group, the Company expects that circular will be despatched to Shareholders on or before 25 August 2010.

**Shareholders and investors should note that the S&P Agreement is subject to various conditions as stated in the section headed “Conditions precedent” herein and therefore the acquisition of the Sale Shares may or may not complete. As such, investors and Shareholders are urged to exercise caution when dealing in the Shares.**

## **RESUMPTION OF TRADING**

At the request of the Company, trading of the Shares has been suspended on the Stock Exchange with effect from 9:30 a.m. on 23 June 2010 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading of the Shares with effect from 9:30 a.m. on 28 July 2010.

## **DEFINITIONS**

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

“2010 Accounts”	the audited consolidated financial statements of the Target Group for the financial period from 1 January 2010 and ended on 30 April 2010, including the audited consolidated balance sheet of the Target Group as at the 30 April 2010 and the audited consolidated profit and loss account of the Target Group for the financial period from 1 January 2010 and ended on the 30 April 2010 prepared in accordance with the HK GAAP
“2011 Accounts”	the audited consolidated balance sheet of the Target Group as at 30 June 2011 and audited consolidated profit and loss account of the Target Group for the financial period from 1 July 2010 to 30 June 2011 prepared in accordance with the HK GAAP
“2012 Accounts”	the audited consolidated balance sheet of the Target Group as at 30 June 2012 and audited consolidated profit and loss account of the Target Group for the financial period from 1 July 2011 to 30 June 2012 prepared in accordance with the HK GAAP
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“Bondholder(s)”	holder of the Convertible Bonds
“Business Day”	any day (other than a Saturday, Sunday, a public holiday or a day on which typhoon signal no. 8 or above or a “black” rainstorm warning is hoisted in Hong Kong) on which banks in Hong Kong are open for business



“BVI”	British Virgin Islands
“Company”	China Agrotech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange
“Completion”	completion of the S&P Agreement in accordance with the terms thereof
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration ”	consideration for the acquisition of Sale Shares, being HK\$1,000,000,000
“Consideration Adjustment”	adjustment(s) to be made to the Consideration as detailed under the paragraph headed “Consideration Adjustment” in this announcement
“Controlling Shareholder”	has the same meaning ascribed to it under the Listing Rules
“Conversion Price”	HK\$1.00 per Conversion Share (subject to adjustments)
“Conversion Shares”	800,000,000 new Shares to be allotted and issued to the holders of the Convertible Bonds upon exercise of the conversion rights attaching to the Convertible Bonds at the Conversion Price
“Convertible Bonds”	the convertible bonds to be issued by the Company in the principal aggregate amount of HK\$800,000,000 to the Vendors respectively as part of the Consideration pursuant to the S&P Agreement
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held and convened for the purpose of considering and, if thought fit, approving by the Independent Shareholders, amongst other things, the S&P Agreement and the transactions contemplated thereunder
“Eighth Vendor”	Charter Basic Limited, a company incorporated in the BVI
“Existing Convertible Bonds”	3% coupon convertible bonds due 2011 in an aggregate principal amount of HK\$29,970,000 at the conversion price of HK\$0.90 per Share issued by the Company on 24 July 2009

“First Promissory Note”	a zero coupon promissory note in the principal amount of HK\$132,000,000 to be issued by the Company to the First Vendor (or its nominee) for payment of part of the Consideration pursuant to the S&P Agreement
“First Vendor”	Mr. Wu Shaoning, an executive Director, the chairman and Controlling Shareholder, held 203,200,000 Shares, representing approximately 31.61% of the issued share capital of the Company as at the date of this announcement
“Fourth Vendor”	Bigtime Success Limited, a company incorporated in the BVI
“Fifth Vendor”	Apex Gain Holdings Limited, a company incorporated in the BVI
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HK GAAP”	the general accepted accounting standards in Hong Kong which includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	a third party independent of the Company and the connected persons of the Company and party(ies) not being a connected person(s) of the Company and is/are not acting in concert (as defined in the Takeovers Code) with any connected persons of the Company and their respective associates
“Independent Shareholders”	Shareholders other than the Vendors and their respective associates
“Last Trading Day”	22 June 2010, being the last trading date prior to the signing of the S&P Agreement
“Listing Rules”	the Rules Governing the Listing Securities on the Stock Exchange
“Long Stop Date”	30 November 2010, or such other date as the parties to the S&P Agreement may agree in writing

“Net Profit(s)”	the audited consolidated net profit of the Target Group after tax and extraordinary items as shown in the 2011 Accounts and/or the 2012 Accounts, as the case may be
“Ninth Vendor”	Quality Sino Limited, a company incorporated in the BVI
“PRC”	the People’s Republic of China, which, for the purposes of this announcement and the S&P Agreement only, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“PRC Subsidiary”	Shanxi Astro-Wood Bio-Engineering Development Co., Ltd. (山西天行若木生物工程開發有限公司), a company incorporated in the PRC and is directly wholly owned by Sky Link and indirectly wholly owned by the Target Company
“Promissory Notes”	the First Promissory Note and Second Promissory Note
“RMB”	Renminbi Yuan, the lawful currency of the PRC
“S&P Agreement”	the sale and purchase agreement dated 22 June 2010 entered into amongst the Company, the Vendors and the Warrantors in relation to the sale and purchase of the Sale Shares as amended by the Supplemental Agreement
“Sale Shares”	100,000 ordinary shares in the Target Company, representing all the issued shares of the Target Company
“Second Convertible Bonds”	the principal amount of HK\$276,000,000 of the Convertible Bonds to be issued to the Second Vendor pursuant to the terms of the S&P Agreement as described under the sections headed “Consideration and terms of payment” and “Convertible Bonds” in this announcement
“Second Promissory Note”	a zero coupon promissory note in the principal amount of HK\$68,000,000 to be issued by the Company to the Second Vendor (or its nominee) for payment of part of the Consideration pursuant to the S&P Agreement
“Second Vendor”	Mr. Xue Zhixin
“Seventh Vendor”	Perfect Silver Limited, a company incorporated in the BVI
“Share(s)”	ordinary share(s) of HK\$0.10 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares

“Shortfall”	in the event the Net Profits are less than the Target Net Profits, the difference between the Target Net Profits and the Net Profits (as the case may be)
“Sixth Vendor”	Metro Party Limited, a company incorporated in the BVI
“Sky Link”	Sky Link International Limited, a company incorporated in Hong Kong with limited liability and is directly wholly owned by the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the S&P Agreement entered into between the Company, the Vendors and the Warrantors dated 27 July 2010
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Present Sino Limited, a company incorporated in the BVI with limited liability and is wholly owned by the Vendors
“Target Group”	the Target Company and its subsidiaries
“Target Net Profits”	the Net Profits as shown in the 2011 Accounts be no less than HK\$120,000,000 and in the 2012 Accounts be no less than HK\$150,000,000
“Third Vendor”	Ms. Liu Shufeng
“Vendors”	the First Vendor; the Second Vendor; the Third Vendor; the Fourth Vendor; the Fifth Vendor; the Sixth Vendor; the Seventh Vendor; the Eighth Vendor and the Ninth Vendor, collectively being the vendors of the Sale Shares under the S&P Agreement
“Warrantors”	the Vendors and the ultimate beneficial owners of the Fourth Vendor, Fifth Vendor, Sixth Vendor, Seventh Vendor, Eighth Vendor and Ninth Vendor respectively
“%” or “per cent”	percentage

*For the purpose of this announcement and solely for the purpose of illustration, all amounts (except for historical accounting figures) in RMB are translated into HK\$ at an exchange rate of HK\$1: RMB0.877.*

*\* Unofficial translation from Chinese into English*

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

Hong Kong, 27 July 2010

*As at the date of this announcement, the executive Directors are Mr. Wu Shaoning and Mr. Yang Zhuoya; the independent non-executive Directors are Mr. Lam Ming Yung, Mr. Zhang Shaosheng and Mr. Wong Kin Tak.*