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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
INVOLVING ISSUE OF CONSIDERATION SHARES FOR
ACQUISITION OF ALL ISSUED SHARES IN
FAST BASE HOLDINGS LIMITED**

The Board is pleased to announce that on 29 October 2010 (after trading hours), the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Company agreed to purchase the Sale Shares at a consideration of RMB70,000,000 (equivalent to approximately HK\$81,395,000). Upon Completion, the Company will be directly interested in the Sale Shares, representing the entire issued share capital of the Target Company.

The Consideration for the Acquisition will be satisfied (i) as to RMB 11,520,000 (equivalent to approximately HK\$13,395,000) by cash; and (ii) as to RMB58,480,000 (equivalent to approximately HK\$68,000,000) by the allotment and issue of 68,000,000 Consideration Shares at the Issue Price subject to the adjustments as described below.

The Consideration for the Acquisition was arrived at after arm's length negotiation between the Company and the Vendor and was determined with reference to (i) the unaudited net asset value of the Target Group as at 30 September 2010; (ii) Consideration Adjustment; and (iii) the future prospect of the business of the Target Group.

Given the certain of the applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is therefore subject to the requirements of reporting and announcement under Chapters 14 of the Listing Rules.

* For identification purpose only

BACKGROUND

The Board is pleased to announce that on 29 October 2010 (after trading hours), the Company and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell and the Company agreed to purchase the Sale Shares, representing the entire issued share capital of the Target Company, at a consideration of RMB70,000,000 (equivalent to approximately HK\$81,395,000). The Target Group is principally engaged in the manufacturing and sale of a wide variety of pesticides in the PRC.

THE ACQUISITION

The Sale and Purchase Agreement

Date: 29 October 2010 (after trading hours)

Parties: (i) the Company, as the purchaser; and
(ii) Ms. Li Zhihui, as the vendor

Acquisition of Sale Shares

The Vendor agreed to sell and the Company agreed to purchase the Sale Shares at a consideration of RMB 70,000,000 (equivalent to approximately HK\$81,395,000). Upon Completion, the Company will be directly interested in the Sale Shares, representing the entire issued share capital of the Target Company.

Consideration

The Consideration for the Acquisition shall be satisfied (i) as to RMB 11,520,000 (equivalent to approximately HK\$ 13,395,000) by cash payable within 14 days from the Completion and (ii) as to RMB 58,480,000 (equivalent to approximately HK\$68,000,000) by the allotment and issue of 68,000,000 Consideration Shares at the Issue Price subject to the adjustments as described in the paragraph headed “Consideration Adjustment” below.

Basis of determination of the Consideration

The Consideration for the Acquisition was arrived at after arm’s length negotiations between the Company and the Vendor and was determined after taking into account of (i) the unaudited net asset value of the Target Group as at 30 September 2010; (ii) the Consideration Adjustment; and (iii) the future prospect of the business of the Target Group.

Based on the closing price of HK\$0.77 per Share as quoted on the Stock Exchange on the Last Trading Day, the total value of the Consideration Shares was approximately HK\$52,360,000. Together with the cash portion of the Consideration of RMB11,520,000 (equivalent to approximately HK\$13,395,000), the fair value of the Consideration (assuming the Consideration Shares will be issued in full) as at the Last Trading Day is approximately HK\$65,755,000, representing a discount of approximately 22.7% to the unaudited net asset value of the Target Group of approximately HK\$85,046,000 as at 30 September 2010. The Directors are of the opinion that the Consideration for the Acquisition is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

Consideration Shares

Subject to the Completion and the adjustments as described in the paragraph headed “Consideration Adjustment” below, the Company shall allot and issue to the Vendor an aggregate of 68,000,000 Consideration Shares in the following manner:–

- (a) 28,000,000 Consideration Shares (amounting to HK\$28,000,000 which is calculated based on the Issue Price) shall be allotted and issued by the Company to the Vendor within ten Business Days after the Company shall have announced its audited annual results for the financial year ending 30 June 2011 or the 2011 Actual PAT shall have been confirmed by auditors appointed by the Company, whichever is earlier (the “**First Part of Consideration Shares**”); and
- (b) 40,000,000 Consideration Shares (amounting to HK\$40,000,000 which is calculated based on the Issue Price) shall be allotted and issued by the Company to the Vendor within ten Business Days after the Company shall have announced its audited annual results for the financial year ending 30 June 2012 or the 2012 Actual PAT shall have been confirmed by auditors appointed by the Company, whichever is earlier (the “**Second Part of Consideration Shares**”).

All of the Consideration Shares will be allotted and issued under the General Mandate. The General Mandate was utilised as to approximately 42.26% for the allotment and issue of 50,000,000 Shares under the placing which was completed on 28 January 2010, details of which are stated in the Company’s announcements dated 19 January 2010. The Consideration Shares to be allotted and issued will utilize approximately 57.47% of the General Mandate.

The Consideration Shares represent (i) approximately 10.58% of the total issued share capital of the Company as at the date of this announcement; and (ii) approximately 9.57% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares, assuming no further new Shares other than the Consideration Shares will be issued.

The Consideration Shares, when issued, will rank pari passu in all respects among themselves and with the existing Shares then in issue. An application will be made to the listing committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price represents:

- (i) a premium of approximately 29.9% to the closing price of HK\$0.77 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 25.9% to the average closing price of HK\$0.794 per Share for the last five trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 25.9% to the average closing price of about HK\$0.794 per Share for the last 10 trading days up to and including the Last Trading Day.

The Issue Price was arrived at after arm’s length negotiation between the Company and the Vendor after taking into account of the trading prices of the Shares during the course of negotiation and the historical price performance of the Shares.

There is no restriction for the subsequent sale of the Consideration Shares upon issue.

Profit guarantee

The Vendor irrevocably guarantees to the Purchaser that:–

- (a) The consolidated PAT of the Target Group for the financial year ending 30 June 2011 shall achieve RMB 13,000,000 (the “**2011 Guaranteed PAT**”); and
- (b) The consolidated PAT of the Target Group for the financial year ending 30 June 2012 shall achieve RMB 22,000,000 (the “**2012 Guaranteed PAT**”).

The 2011 Guaranteed PAT and 2012 Guaranteed PAT are determined based on arm’s length negotiation between the parties with reference to the historical operating results and the potential development prospect of the Target Group.

Consideration Adjustment

Pursuant to the Sale and Purchase Agreement, in the event that the 2011 Actual PAT or the 2012 Actual PAT is less than the 2011 Guaranteed PAT and 2012 Guaranteed PAT respectively, the Consideration Shares to be issued and allotted to the Vendor shall be adjusted in the following manner:

The Consideration Shares to be allotted and issued by the Company to the Vendor under the Sale and Purchase Agreement shall be subject to the following adjustments:

2011 Adjustments

- (a) If the 2011 Actual PAT shall be equal or more than the 2011 Guaranteed PAT, the First Part of Consideration Shares shall be fully allotted and issued.
- (b) If the 2011 Actual PAT shall be zero or a negative value, the First Part of Consideration Shares shall be reserved and may or may not be issuable in the manner described below.
- (c) If the 2011 Actual PAT shall be less than the 2011 Guaranteed PAT, the First Part of Consideration Shares shall be determined in accordance with the following formula:–

$$X1 = \frac{2011 \text{ Actual PAT}}{2011 \text{ Guaranteed PAT}} \times 28,000,000$$

Note: X1 means the number of Shares for the First Part of Consideration Shares issuable

provided that the balance of the “First Part of Consideration Shares” may be issuable in the manner described below.

2012 Adjustments

- (a) If the 2012 Actual PAT shall be equal or more than the 2012 Guaranteed PAT, the Second Part of Consideration Shares shall be fully allotted and issued. Further, if the amount of 2012 Actual PAT exceeding the 2012 Guaranteed PAT, after offsetting the losses recorded for the financial year ending 30 June 2011 (if any), shall be a positive value (the “**Excess Profit**”), the balance of the First Part of Consideration Shares shall be issuable and determined in accordance with the following formula:–

$$X2 = \frac{\text{Excess Profit}}{\text{2011 Guaranteed PAT}} \times 28,000,000$$

Note: X2 means the balance number of Shares for the First Part of Consideration Shares issuable

subject to a maximum amount of Shares issuable calculated at 28,000,000 – X1.

- (b) If the 2012 Actual PAT shall be zero or a negative value, the Second Part of Consideration Shares and the balance of the First Part of Consideration Shares shall not be issuable.
- (c) If the 2012 Actual PAT shall be less than the 2012 Guaranteed PAT, the Second Part of Consideration Shares shall be determined in accordance with the following formula:–

$$Y = \frac{\text{2012 Actual PAT}}{\text{2012 Guaranteed PAT}} \times 40,000,000$$

Note: Y means the number of Shares for the Second Part of Consideration Shares issuable

provided that the balance of the Second Part of Consideration Shares shall not be issuable.

- (d) The Purchaser will not have any obligation to issue the First Part of Consideration Shares (or any balance thereof) and the Second Part of Consideration Shares (or any balance thereof) that shall not be issuable under the Sale and Purchase Agreement. The Vendor is not entitled to any compensation for any Consideration Shares that shall not be issuable under the Sale and Purchase Agreement.

Conditions precedent to the Sale and Purchase Agreement

Completion is conditional upon the following conditions having been fulfilled or waived (as the case may be):

- (a) the listing committee of the Stock Exchange having granted (either unconditionally or subject to conditions to which neither the Company nor the Vendor shall reasonably object) the listing of and permission to deal in the Consideration Shares;

- (b) the delivery to the Company by the Vendor the following documents:–
- (i) unaudited consolidated accounts of the Target Group for the financial year ended 31 December 2009 and the nine months period ended 30 September 2010 (including the consolidated balance sheets and the consolidated income statements for the respective periods);
 - (ii) statutory audited accounts of Jinan Yinong for the financial years ended 31 December 2008 and 2009 and its unaudited accounts for the nine months period ended 30 September 2010;
 - (iii) valuation report of the land and buildings of Jinan Yinong as at 31 May 2010; and
 - (iv) valuation report of Jinan Yinong Pesticide Licences as at 31 May 2010 and all copies of the Jinan Yinong Pesticide Licences;
- and that the net asset value of Target Group (based on the net asset value as stated in the unaudited consolidated accounts of the Target Group as at 30 September 2010) shall not be less than RMB 70,000,000;
- (c) the Company being satisfied with its due diligence results on the business, financial and legal aspects of the Target Group;
 - (d) the warranties set out in the Sale and Purchase Agreement remaining true and accurate and not misleading in any respect as given as of the date of the Sale and Purchase Agreement and at all times up to and including the Completion Date; and
 - (e) no breach of obligations and undertakings given by the Vendor to be performed before Completion having occurred.

Neither Party is entitled to waive any of the conditions above other than that the Company may, at its absolute discretion, waive any of the conditions (b) to (e) above at any time by notice in writing to the Vendor and such waiver may be made subject to such terms and conditions as are determined by the Company.

As at the date of this announcement, condition (b) above has been fulfilled. The Company has no current intention to waive any of the conditions (c) to (e) and it will exercise such waiver only if it would be in the interest of the Company and the Shareholders as a whole. In the event that any of the aforesaid conditions have not been fulfilled or waived by the Company (if applicable) on or before 31 December 2010, the Sale and Purchase Agreement shall be automatically terminated forthwith and cease to be of any effect and the Parties shall have no claim against each other arising out of or in connection with the Sale and Purchase Agreement save for any claims arising out of any antecedent breach of the Sale and Purchase Agreement.

Completion

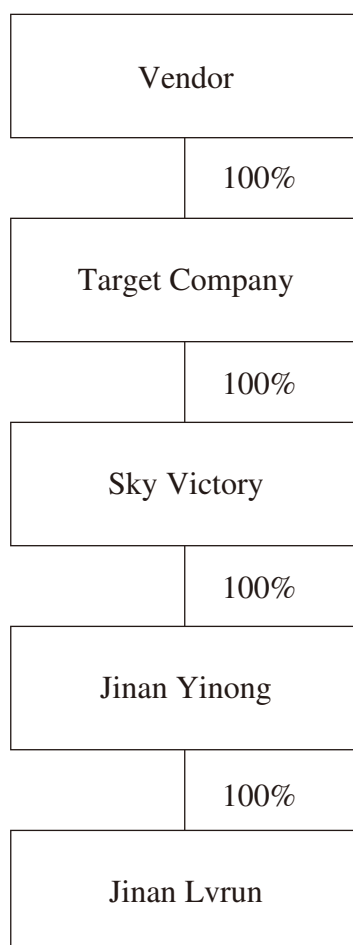
Completion shall take place on the third Business Day following the fulfillment of the conditions precedent (or waiver thereof) or such other date as the parties may agree in writing.

INFORMATION ON THE VENDOR

The Vendor is a merchant with extensive experience in investment in agricultural industry. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendor is an Independent Third Party. Save as entering into the Sale and Purchase Agreement and the fact that Jinan Yinong is a customer of the Group (contributed to approximately 0.4% of the Group's turnover for the year ended 30 June 2010), the Company did not have any business relationship with the Vendor.

INFORMATION ON THE TARGET GROUP

The Target Group is principally engaged in the manufacturing and sale of a wide variety of pesticides in the PRC. The shareholding structure of the Target Group as at the date of this announcement is set out below:–



The Target Company is an investment holding company incorporated in the BVI on 2 October 2009 and directly holds 100% issued share capital of Sky Victory. Save and except for holding shares in Sky Victory, the Target Company does not have any operation.

Sky Victory is an investment holding company incorporated in Hong Kong on 12 August 2009, which acquired 100% equity interest of Jinan Yinong in June 2010. Save and except for holding 100% equity interest in Jinan Yinong, Sky Victory does not have any operation.

Jinan Yinong was incorporated in the PRC on 19 April 2001. It is principally engaged in the manufacturing and sale of a wide variety of pesticides in the PRC.

Jinan Lvrn was incorporated in the PRC on 22 October 2009 and is 100% owned by Jinan Yinong. Its principal business scope is provision of plant protection consultancy service but is yet to commence business.

The following is the unaudited consolidated financial information of the Target Group prepared in accordance with Hong Kong Financial Reporting Standard:

	For the period from the date of incorporation of the Target Company (2 October 2009) to 31 December 2009	For the period from 1 January 2010 to 30 September 2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	–	22,887
Profit before tax	–	1,326
Profit after tax	–	1,018
		As at 30 September 2010
Net assets		85,046

The following is the audited/unaudited financial information of Jinan Yinong, the principal operating subsidiary of the Target Group, prepared in accordance with the generally accepted accounting principles of the PRC, for the two financial years ended 31 December 2008 and 2009 and the nine months period ended 30 September 2010:

	For the year ended 31 December 2008	2009	For the nine months ended 30 September 2010
	(audited)	(audited)	(unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	13,606	30,771	29,552
Profit before tax	169	2,148	2,277
Profit after tax	157	1,611	1,698

REASONS FOR THE ACQUISITION

The Group is principally engaged in (i) the trading of fertilizers, pesticides and 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.

With a view to broadening the revenue base and improving the profitability of the Group, the Company has been actively looking for attractive merger and acquisition opportunities. The Target Group is one of the key manufacturers in Shandong province, the PRC specializing in the production and sale of a wide variety of pesticides. Jinan Yinong is enhancing market share in the pesticides market of Shandong province and generating revenue at a remarkable growth rate.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company. Accordingly, the results of the Target Group will be consolidated into the accounts of the Group. The Directors consider that the Acquisition enables the Group to expand its manufacturing operation in respect of pesticides and thereby enhance its market share in the pesticides market, especially in Shandong province which is one of the Group's major operating regions, as well as generate synergy effect with its existing distribution network of agricultural resources products.

The Directors do not expect that the Acquisition will have any material adverse impact on assets and liabilities of the Group upon Completion. The Directors are of the view that the terms of the Sale and Purchase Agreement and the Acquisition are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Given that certain of the applicable percentage ratios exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. The Acquisition is therefore subject to the requirements of reporting and announcement under Chapters 14 of the Listing Rules.

DEFINITIONS

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

“2011 Actual PAT”	The audited consolidated PAT of the Target Group for the financial year ending 30 June 2011 to be audited by the auditors appointed by the Company
“2011 Guaranteed PAT”	Consolidated PAT of the Target Group for the financial year ending 30 June 2011 of RMB13,000,000 guaranteed by the Vendor in favour of the Company pursuant to the Sale and Purchase Agreement

“2012 Actual PAT”	The audited consolidated PAT of the Target Group for the financial year ending 30 June 2012 to be audited by the auditors appointed by the Company
“2012 Guaranteed PAT”	Consolidated PAT of the Target Group for the financial year ending 30 June 2012 of RMB22,000,000 guaranteed by the Vendor in favour of the Company pursuant to the Sale and Purchase Agreement
“Acquisition”	the acquisition of the Sale Shares by the Company from the Vendor pursuant to the terms and subject to the conditions set out in the Sale and Purchase Agreement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	day(s) (other than Saturday) on which banks in Hong Kong and the Cayman Islands are open to conduct business generally throughout their normal business hours
“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 main board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	consideration for the Acquisition, being RMB70,000,000 (equivalent to approximately HK\$81,395,000)
“Consideration Adjustment”	adjustment(s) to be made to the Consideration as detailed under the paragraph headed “Consideration Adjustment” in this announcement
“Consideration Shares”	subject to the Consideration Adjustment under the Sale and Purchase Agreement, 68,000,000 Shares to be allotted and issued by the Company to the Vendor at the Issue Price pursuant to the Sale and Purchase Agreement
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors at the annual general meeting of the Company held on 4 December 2009 to allot and issue up to 20% of the aggregate nominal amount of the share capital of the Company in issue on that date

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	third party independent of the Company and its connected persons
“Issue Price”	HK\$1.00 per Consideration Share
“Jinan Lvrn”	Jinan Lvrn Crop Science Company Limited* (濟南綠潤作物科學有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Target Company
“Jinan Yinong”	Jinan Yinong Chemical Industry Company Limited* (濟南一農化工有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Target Company
“Jinan Yinong Pesticide Licences”	all of the 40 pesticide licences of Jinan Yinong
“Last Trading Day”	29 October 2010, being the last day on which the Shares were traded on the Stock Exchange prior to the release of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Sale and Purchase Agreement, including the Company and the Vendor
“PAT”	the net profit of the Target Group after deducting all charges and tax but before extraordinary items, and excluding the amortization or impairment of Jinan Yinong Pesticide Licences
“PRC”	The People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 29 October 2010 entered into by the Company and the Vendor in relation to the Acquisition
“Sale Shares”	2,000 shares of US\$1.00 each in the issued share capital of the Target Company, being the entire issued share capital of the Target Company as at the date of the Sale and Purchase Agreement

“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Sky Victory”	Sky Victory International Holdings Limited, a company incorporated in Hong Kong and a direct wholly-owned subsidiary of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Target Company”	Fast Base Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Target Group”	the Target Company, Sky Victory, Jinan Yinong and Jinan Lvrn
“US\$”	United States dollar(s), the lawful currency of the United States
“Vendor”	Ms. Li Zhihui
“% 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\$1.00: RMB0.86

** Unofficial translation from Chinese into English*

By Order of the Board
China Agrotech Holdings Limited
Wu Shaoning
Chairman

Hong Kong, 29 October 2010

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