THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold all your shares in China Agrotech Holdings Limited (the "Company"), you should at once hand this circular to the purchaser or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities.

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
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser

KINGSTON CORPORATE FINANCE LIMITED

Independent Financial Adviser
to the Independent Board Committee and Independent Shareholders

Nuada Limited
Corporate Finance Advisory

A notice convening the extraordinary general meeting of the Company ("EGM") to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong, on 15 October 2010 at 11:00 a.m. or any adjournment thereof is set out on pages EGM-1 to EGM-2 of this circular. If you are not able to attend the EGM in person, please complete the form of proxy in accordance with the instructions printed thereon and return it to the principal office of the Company at Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event, not less than 48 hours before the time fixed for holding of the EGM or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

A letter from the independent board committee of the Company containing its recommendation to the independent shareholders of the Company in relation to the S&P Agreement and the transactions contemplated thereunder is set out on pages 53 to 54 of this circular. A letter of advice from Nuada Limited to the independent board committee and the independent shareholders of the Company in relation to the S&P Agreement and the transactions contemplated thereunder is set out on pages 55 to 65 of this circular.

* *for identification purpose only*

25 September 2010

CONTENTS

In this circular, unless the context otherwise requires, the following expressions 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"	the British Virgin Islands
"Chinese Mu"	the Chinese units of measurement in area
"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 circular
"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 Bond(s)"	the convertible bonds to be issued by the Company in the principal aggregate amount of HK$800,000,000 to each of the Vendors 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, which is wholly-owned by Mr. Wu Zhen Geng
"Enlarged Group"	the Group and the Target Group
"Existing Convertible Bonds"	the 3% coupon convertible bonds due in 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$132,000,000 to be issued by the Company to the First Vendor (or its nominee) for payment of part of the Consideration pursuant to the S&P Agreement
"First Vendor"	Mr. Wu Shaoning, an executive Director, the chairman and Controlling Shareholder of the Company, held 203,200,000 Shares, representing approximately 31.61% of the issued share capital of the Company as at the Latest Practicable Date
"Forest Right Certificates"	the operating rights and forestry management for plantation lands
"Fourth Vendor"	Bigtime Success Limited, a company incorporated in the BVI, which is wholly-owned by Mr. Tse Wai Wang, who is an employee of the Company
"Fifth Vendor"	Apex Gain Holdings Limited, a company incorporated in the BVI, which is wholly-owned by Mr. Tong Hing Wah, who is an employee of the Company
"Group"	the Company and its subsidiaries
"HK$"	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 Board Committee"	the independent board committee of the Company, comprising all the independent non-executive Directors namely, Mr. Lam Ming Yung, Mr. Zhang Shaosheng and Mr. Wong Kin Tak

"Independent Third Party(ies)"	third party(ies) 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
"Latest Practicable Date"	21 September 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"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, which is 50% owned by Mr. Qin Baoyu and 50% owned by Mr. Zhang Yande
"Nuada"	Nuada Limited, a licensed corporation to carry out business in type 6 (advising on corporate finance) regulated activity under the SFO, which is appointed as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the S&P Agreement
"PRC"	the People's Republic of China, which, for the purposes of this circular 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 circular
"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, which is wholly-owned by Mr. Suen Siu Kwan
"SFO"	Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"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, which is wholly-owned by Mr. So Chi Yuk
"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 amongst 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 respective ultimate beneficial owners of the Fourth Vendor, Fifth Vendor, Sixth Vendor, Seventh Vendor, Eighth Vendor and Ninth Vendor
"%" or "per cent"	percentage

For the purpose of this circular 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*

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)

Executive Directors:
Mr. Wu Shaoning
(Chairman and Chief Executive Officer)
Mr. Yang Zhuoya *(Managing Director)*

Independent non-executive Directors:
Mr. Lam Ming Yung
Mr. Zhang Shaosheng
Mr. Wong Kin Tak

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 2706, 27th Floor
China Resources Building
26 Harbour Road
Wanchai, Hong Kong

25 September 2010

To the Shareholders

Dear Sir or Madam,

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

INTRODUCTION

On 27 July 2010, the Board announced 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 sale and purchase agreement (as supplemented by the Supplemental Agreement dated 27 July 2010) 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.

* *for identification purpose only*

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 Latest Practicable Date, 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.

An Independent Board Committee has been established to advise the Independent Shareholders in respect of the S&P Agreement and the transactions contemplated thereunder. Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things, further details of the S&P Agreement, a letter of advice from Nuada in respect of the S&P Agreement and the transactions contemplated thereunder, a letter of recommendation from the Independent Board Committee in respect of the S&P Agreement and the transactions contemplated thereunder, together with the notice of EGM and other information as required under the Listing Rules.

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:

		Number of shares held in the Target Company as at the Latest Practicable Date:
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
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

		Number of shares held in the Target Company as at the Latest Practicable Date:
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 Latest Practicable Date 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:

Vendors	*Payment terms*
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, additional comfort and assurance can be provided 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 at an aggregate of approximately HK$59.3 million 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 Latest Practicable Date. The net cost for the First Vendor of his 51% interests in the Target Company is approximately HK$31,820,000.

The Board noted HK$408,000,000 of the Consideration in forms of Convertible Bonds and First Promissory Note payable to the First Vendor represents an increase of approximately 1,182.21% from his net cost of HK$31,820,000. 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 reorganization 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 Latest Practicable Date, 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 Latest Practicable Date 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:	For the Bondholders other than the Second Vendor: 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. For the Second Vendor: • 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; • 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 • 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
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 medication 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;
- a premium of approximately 35.50% over the average of the closing prices of approximately HK$0.738 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to and including the Last Trading Day; and
- a premium of approximate 35.14% over the closing price of HK$0.74 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

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, such 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; and

(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.

As such, conversion of the Convertible Bonds will not result in change of control of the Company.

Redemption:	Unless previously redeemed, converted or purchased and cancelled, the Company shall redeem each Convertible Bond at its principal amount on the maturity date of that Convertible Bond. 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 Convertible 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 22 June 2010 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 Company being satisfied that there has not been any event of, 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 will take into account, among others, the fair value changes of biological assets.

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.

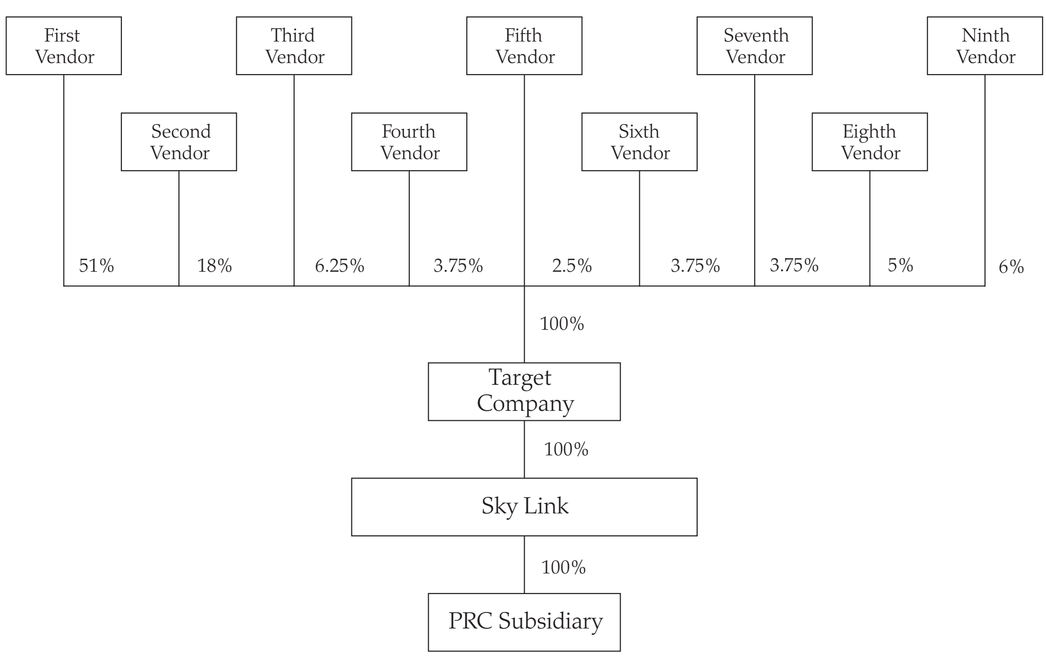
The Second Vendor (i) agreed to have the Second Convertible Bonds with principal amount of HK$132,000,000 not being transferrable or disposable pursuant to the terms of the S&P Agreement as mentioned in the above paragraph "Conversion period" in the above section; and (ii) agreed that the principal amount 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 Latest Practicable Date 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 was incorporated in 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 audited financial figures of (i) the Target Group; and (ii) the PRC Subsidiary prepared in accordance with Hong Kong Financial Reporting Standards:

The Target Group:

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

The PRC Subsidiary:

	For the period from the date of incorporation 24 February 2009 to 31 December 2009	**For the period from 1 January 2010 to 30 April 2010**
	HK$'000	*HK$'000*
Turnover	–	66,956
Profit before tax	*(Note 3)* 15,962	*(Note 4)* 803,677
Profit after tax	15,962	803,677
		As at 30 April 2010
		HK$'000
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$772,199,000.

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$772,199,000.

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:

Location	Land area (approximate Chinese Mu)	Nature of plantation base (species of plants)	Terms of leasehold land
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
	1,150		until December 2054

Location	Land area (approximate Chinese Mu)	Nature of plantation base (species of plants)	Terms of leasehold land
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
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

Source: Information as disclosed in the land lease agreements and Forestry Rights Certificates of the plantation and cultivation sites and verified by Gaopeng & Partners (高朋律師事務所), the PRC legal advisers of the Company.

Further information of the plantation fields:

Species *(Note 1)*	**Heights** *(Note 1)*	**Approximate number of plantations grown** *(Note 1)*	**Current average market price per tree** *(Note 2)* *(RMB)*
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

Notes:

1. Source of the information as disclosed is based on the forestry report prepared by Taiyuan School of Forestry Investigation and Planning, which is a governmental body responsible for policy planning, management and monitoring, research and development, survey and inspection, investigation and patrol of the local forestry resources, wood production and trading activities of Taiyuan City.

2. The average market price per tree is calculated based on the valuation performed by LCH (Asis-Pacific) Surveyors Limited.

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, and recorded a gross profit of approximately HK$33,028,000.

As at the Latest Practicable Date, the PRC Subsidiary has signed letters of intent for the supply of an aggregate of 300,000 small seedlings, 1,000,000 nutrient-bag seedlings of whitebark pine and 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 colour-leave plants and various scare 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 resources 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 Latest Practicable Date, 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 Latest Practicable Date, 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.

Licenses of the PRC Subsidiary

As of the Latest Practicable Date, the PRC Subsidiary has obtained the relevant licenses and approvals in respect of its main businesses, which have not been abolished, amended, revoked or expired. There is no legal impediment with respect to its application in accordance with relevant laws for the renewal of such licenses and approvals upon expiry.

Below is a summary of the key licences of the PRC Subsidiary:

Name of relevant licenses	**Expiry date**
Business Registration	6 January 2015
Production License of Forest Seeds	27 October 2012
Management License of Forest Seeds	27 October 2012
Qualification Certificate for the Commencement of Afforestation Projects in Shanxi Province	31 December 2013

MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

For the six months' period ended 31 December 2009

Business overview

For the six months ended 31st December, 2009, the Group's consolidated turnover was approximately HK$1,563,790,000 (2008: HK$1,488,500,000) and net profit attributable to equity holders of the Company was approximately HK$1,226,000 (2008: HK$20,346,000), representing a growth of about 5% and a decline of about 94% respectively as compared to those of the last financial period.

The Group's business can be divided into two categories, namely, agricultural resources operation and trading of non-agricultural resources products. Agricultural resources operation includes manufacturing and selling, purchase and distribution of agricultural resources products, as well as the provision of plant protection and consulting services for the related products.

Excluding the impact of certain one-off non-cashflow items (i.e. valuation losses on investment properties, profit/(loss) on disposal of subsidiaries and employee share-based compensation expense), the net profit was approximately HK$12,673,000 (2008: HK$21,621,000), representing a decrease of approximately 41%. The major factor causing the decrease in net profit was the decrease in overall gross profit during the period under review as a result of the economic downturn arising from the worldwide financial crises occurred in the last quarter of 2008. As such, the extent of drop in selling prices of the Group's products was greater than the decrease in cost of purchase, and hence, the overall gross profit margin was shrinked.

The turnover of the agricultural resources operation and trading of non-agricultural resources products is analysed by product segments as follows:

	Six months ended 31st December			
	2009		2008	
	Turnover	Percentage of the total turnover	Turnover	Percentage of the total turnover
	HK$'000		*HK$'000*	
Agricultural resources operation				
nitrogenous fertiliser	153,952	10%	191,641	13%
phosphorous fertiliser	189,771	12%	188,544	13%
potash fertiliser	324,650	21%	355,910	24%
compound fertiliser	412,197	26%	333,913	22%
pesticides	83,639	5%	127,157	8%
Agricultural resources products (subtotal)	1,164,209	74%	1,197,165	80%
Trading of non-agricultural resources products	399,581	26%	291,335	20%
Total	1,563,790	100%	1,488,500	100%

Aggregate sales volume of fertilisers, including nitrogenous fertiliser, phosphorous fertiliser, potash fertiliser and compound fertiliser, increased by about 18% from approximately 448,000 tonnes for the six months ended 31 December 2008 to approximately 528,000 tonnes for the six months ended 31 December 2009. The aggregate turnover of fertilizers for the six months ended 31 December 2009 was approximately HK$1,081 million, representing a slight growth of about 1% compared to approximately HK$1,070 million for the six months ended 31 December 2008.

For pesticides, turnover decreased by 34% from approximately HK$127 million for the six months ended 31 December 2008 to approximately HK$84 million for the six months ended 31 December 2009.

Turnover for trading of non-agricultural resources product increased by 37% from approximately HK$291 million for the six months ended 31 December 2008 to approximately HK$400 million for the six months ended 31 December 2009.

Corporate strategies and prospects

Despite prices of various fertilizers are currently at a relatively low level, price trend for 2010 depends on a number of factors which include the speed of the global economic recovery and the demand for foodstuff. However, the PRC government has been working on deepening the agricultural reform, increasing farmers' income and stepping up its efforts to address the "three rural (rural areas, farmers and agriculture) issues". In particular, the 2010 No. 1 Document issued by the Central Government emphasized a continuous increase in the input in the agricultural sector in terms of total volume, as well as a steady growth in proportion. The Central Government also takes every measure to increase the grain production, which will speed up the resumption pace of the fertilizer market in the coming years and provides a great room for the development of the industry.

In the coming year, the Group will continue to strengthen its risk management and will take a prudent approach in the hope of steering clear of adversities. Besides, overcapacity has prompted a gradual consolidation in the domestic fertilizer industries. The Group also takes this opportunity to effect a restructuring to reinforce its core competitiveness by consolidating existing businesses while setting new development direction.

Looking forward, in addition to the on-going pursuit of its centralized purchase and distribution policy and optimization of product mix, the Group will actively strengthen strategic cooperation with upstream brandname suppliers to further explore quality resources thereby increasing its stability and sustainability.

Furthermore, the Group is actively seeking investment opportunities with a view to diversify the Group's agriculture business, enlarge the Group's asset base and contribute to expand its source of income. Directors are optimistic about the long-term development of the Group and will better position ourselves to take on the challenges and opportunities arising in the year to come.

Financial resources

The Group generally finances its operations with internally generated cashflow and bank facilities for its capital expenditures and other capital requirements.

As at 31st December 2009, the aggregated cash and bank balances and restricted bank deposits of HK$542,639,000 included HK$450,000 which was denominated in Hong Kong dollars, HK$287,000 which was denominated in US dollars and HK$541,902,000 which was denominated in Renminbi.

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in Renminbi and that the exchange rates between Renminbi and Hong Kong dollar/US dollar remained steady during the period under review, it has no significant exposure to foreign exchange rate fluctuations. During the period under review, the Group had not used any financial instruments for hedging purposes.

During the period, the Company successfully raised funds from placing of new Shares and convertible bonds, which amounted to a net proceeds of approximately HK$59.4 million. The Company also raised additional funds of approximately HK$58.9 million from the exercise of subscription rights attaching to unlisted warrants by certain warrant-holders.

Borrowings and banking facilities

As at 31st December 2009, the Group had bank borrowings of HK$474,050,000 which were denominated in Renminbi and bore interest at rates ranging from approximately 1.8% to 6.9% per annum. As at 31st December, 2009, the Group had bills payable of approximately HK$905,069,000 which was denominated in Renminbi and the entire amount was secured by pledged bank deposits of the Group of approximately HK$366,270,000 which were also denominated in Renminbi.

As at 31st December 2009, the Group had convertible bonds of HK$29,122,000 (due in July 2011) which was denominated in Hong Kong dollars and bore interest at 3% per annum.

As at 31st December 2009, the Group maintained a gearing ratio of approximately 64%. This is based on the division of the total amount of bank loans and convertible bonds by equity attributable to equity holders of the Company as at 31st December, 2009. The Directors considered that the gearing ratio as at 31st December, 2009 was healthy, taking into account of the nature and scale of operations of the Group.

Commitments

As at 31st December 2009, the Group had no significant outstanding contracted capital commitments, and the operating lease commitments was approximately HK$13,347,000.

Contingent liabilities

As at 31st December 2009, the Group had no material contingent liabilities.

Remuneration policies and share option scheme

The Group incurred total salaries and other remunerations (excluding employee share-based compensation expense) of approximately HK$9.7 million with an average number of about 900 staff during the six months ended 31st December 2009.

For the year ended 30 June 2009

Business overview

For the year ended 30 June 2009, the Group's consolidated turnover was approximately HK$3,178,420,000 (2008: HK$2,894,984,000) and net profit attributable to equity shareholders of the Company was approximately HK$11,067,000 (2008: HK$82,423,000), representing a growth of about 10% and a decline of about 87% respectively as compared to those of the previous financial year. Net profit, excluding the impact from the valuation gains/(losses) on investment properties and write-down of inventories, was approximately 34,982,000 (2008: HK$92,017,000), representing a decrease of 62%.

The turnover of the agricultural resources operation and trading of non-agricultural resources products is analysed by product segments as follows:

	2009		**2008**	
	Turnover	**Percentage of the total turnover**	**Turnover**	**Percentage of the total turnover**
	HK$'000		*HK$'000*	
Agricultural resources operation				
nitrogenous fertilizer	416,646	13%	677,032	23%
phosphorous fertilizer	422,243	13%	299,614	10%
potash fertilizer	466,553	15%	202,186	7%
compound fertilizer	827,317	26%	519,988	18%
pesticides	402,902	13%	368,876	13%
Agricultural resources products (subtotal)	2,535,661	80%	2,067,696	71%
Trading of non-agricultural resources products	642,759	20%	827,288	29%
Total	3,178,420	100%	2,894,984	100%

Aggregate sales volume of fertilizers, including nitrogenous fertilizer, phosphorous fertilizer, potash fertilizer and compound fertilizer, increased by about 20% from approximately 880,000 tonnes for the year ended 30 June 2008 to approximately 1,060,000 tonnes the year ended 30 June 2009. The aggregate turnover of fertilizers for the year ended 30 June 2009 was approximately HK$2.133 billion, representing a growth of about 26% as compared to approximately HK$1.699 billion for the year ended 30 June 2008.

For pesticides, turnover increased by approximately 9% from approximately HK$369 million for the year ended 30 June 2008 to approximately HK$403 million for the year ended 30 June 2009.

Turnover for the trading of non-agricultural resources products decreased from approximately HK$827 million for the year ended 30 June 2008 to approximately HK$643 million for the year ended 30 June 2009.

Financial resources

The Group generally finances its operations with internally generated cashflow and bank facilities for its capital expenditures and other capital requirements.

As at 30 June 2009, cash and bank balances and restricted bank deposits were approximately HK$418,327,000 of which approximately HK$3,475,000, approximately HK$412,187,000, and approximately HK$2,665,000 were denominated in Hong Kong dollars, Renminbi and US dollars respectively.

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in Renminbi and the exchange rates between Renminbi and Hong Kong dollar/US dollar remained steady during the year under review, its exposure to foreign exchange rate fluctuations is insignificant. During the year under review, the Group had not used any financial instruments for hedging purposes.

Borrowings and banking facilities

As at 30 June 2009, the Group had bank borrowings of approximately HK$304,433,000 (approximately HK$300,488,000 was denominated in Renminbi and approximately HK$3,945,000 was denominated in US dollars) bearing interest at rates ranging from 3.1% to 8.96% per annum, of which approximately HK$53,880,000 was secured by certain trade receivables, inventories and investment properties of the Group, and approximately HK$250,553,000 was guaranteed by a director of the Company and third parties and properties put up by certain minority shareholders.

At as 30 June 2009, the Group had bills payable of approximately HK$1,019 million which was denominated in Renminbi and the entire amount was secured by pledged bank deposits of approximately HK$306 million which was also denominated in Renminbi.

As at 30 June 2009, the Group's gearing ratio remained at approximately 44%. This was based on the division of bank borrowings by total equity attributable to equity shareholders of the Company as at 30 June 2009. The Directors, taking into account of nature and scale of operations of the Group, considered that the gearing ratio as at 30 June 2009 was healthy.

Commitments

As at 30 June 2009, the Group had no outstanding contracted capital commitments. As at 30 June 2009, the Group had operating lease commitments of approximately HK$15,424,000.

Contingent liabilities

As at 30 June 2009, the Group had no material contingent liabilities.

Remuneration policies and share option scheme

The Group incurred expenditure on salaries and other remunerations of approximately HK$29 million in total with an average workforce of about 1,000 during the year ended 30 June 2009.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 31 December 2001. The Scheme limit was refreshed pursuant to a resolution passed at the extraordinary general meeting of the Company held on 11 February 2009. During the year ended 30 June 2009, no option was granted (2008: nil). On 27 July 2009, options in respect of 48,970,000 shares of the Company were granted to the relevant participants under the Scheme.

For the year ended 30 June 2008

Business overview

For the year ended 30 June 2008, the Group's consolidated turnover was approximately HK$2,894,984,000 (2007: HK$2,552,044,000) and net profit attributable to equity shareholders of the Company was approximately HK$82,423,000 (2007: HK$80,592,000), representing a growth of about 13% and 2% respectively as compared to those of the previous financial year. Net profit, excluding the impact from the change in fair value of the investment properties, was HK$92,017,000 (2007: HK$75,528,000), representing an increase of 22%.

The turnover of the agricultural resources operation and trading of non-agricultural resources products is analysed by product segments as follows:

	2008		2007	
	Turnover	**Percentage of the total turnover**	**Turnover**	**Percentage of the total turnover**
	HK$'000		*HK$'000*	
Agricultural resources operation				
nitrogenous fertilizer	677,032	23%	796,957	31%
phosphorous fertilizer	299,614	10%	175,274	7%
potash fertilizer	202,186	7%	142,244	6%
compound fertilizer	519,988	18%	467,938	18%
pesticides	368,876	13%	490,734	19%
Agricultural resources products (subtotal)	2,067,696	71%	2,073,147	81%
Trading of non-agricultural resources products	827,288	29%	478,897	19%
Total	2,894,984	100%	2,552,044	100%

Aggregate sales volume of fertilizers, including nitrogenous fertilizer, phosphorous fertilizer, potash fertilizer and compound fertilizer, decreased by around 9% from approximately 970,000 tonnes for the year ended 30 June 2007 to approximately 880,000 tonnes for the year ended 30 June 2008. The turnover for the year ended 30 June 2008 was approximately HK$1.699 billion, representing a growth of about 7% as compared to approximately HK$1.582 billion for the year ended 30 June 2007.

For pesticides, turnover dropped by approximately 25% from approximately HK$491 million for the year ended 30 June 2007 to approximately HK$369 million for the year ended 30 June 2008.

Turnover from the trading of non-agricultural resources products significantly increased from approximately HK$480 million for the year ended 30 June 2007 to approximately HK$830 million for the year ended 30 June 2008.

Financial resources

The Group generally finances its operations with internally generated cashflow and bank facilities for its capital expenditures and other capital requirements.

As at 30 June 2008, cash and bank balances and restricted bank deposits were approximately HK$403,849,000 of which approximately HK$591,000, approximately HK$382,044,000, and approximately HK$21,214,000 denominated in Hong Kong dollars, Renminbi and US dollars respectively.

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in Renminbi and the exchange rates between Renminbi and Hong Kong dollar/US dollar remained steady during the year under review, its exposure to foreign exchange rate fluctuations is insignificant. During the year under review, the Group had not used any financial instruments for hedging purposes.

Borrowings and banking facilities

As at 30 June 2008, the Group had bank borrowings of approximately HK$388,100,000 (approximately HK$309,500,000 denominated in Renminbi and approximately HK$78,600,000 denominated in US dollars) bearing interest at rates ranging from 5.8% to 10.0% per annum, of which approximately HK$11.4 million was secured by certain land and buildings of the Group, approximately HK$18.7 million by assets of certain minority shareholders, and the balance by the guarantees provided by certain subsidiaries and/or a director, respectively.

At as 30 June 2008, the Group had bills payable of approximately HK$771 million which was denominated in Renminbi and the entire amount was secured by pledged bank deposits of approximately HK$211 million which were also denominated in Renminbi.

As at 30 June 2008, the Group's gearing ratio remained at approximately 57%. This was based on the division of bank borrowings by total equity attributable to equity shareholders of the Company as at 30 June 2008. The Directors, taking into account of nature and scale of operations of the Group, considered that the gearing ratio as at 30 June 2008 was healthy.

Commitments

As at 30 June 2008, the Group had outstanding contracted capital commitments in respect of construction of manufacturing facilities of approximately HK$9,645,000. As at 30 June 2008, the Group had operating lease commitments of approximately HK$5,026,000.

Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

Remuneration policies and share option scheme

The Group incurred expenditure on salaries and other remunerations of approximately HK$28 million in total with an average workforce of about 1,200 during the year ended 30 June 2008.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 31 December 2001. The Scheme limit was refreshed pursuant to a resolution passed at the extraordinary general meeting of the Company held on 1 March 2006. During the year ended 30 June 2008, no option in respect of shares of the Company was granted to the relevant participants under the Scheme (2007: nil).

For the year ended 30 June 2007

Business overview

For the year ended 30 June 2007, the Group's consolidated turnover was approximately HK$2,552,044,000 (2006: HK$2,286,255,000) and net profit attributable to equity holders of the Company was approximately HK$80,592,000 (2006: HK$61,627,000), representing a growth of about 12% and 31% respectively as compared to those of the last financial year.

The turnover of the agricultural resources operation and trading of non-agricultural resources products is analysed by product segments as follows:

	2007		**2006**	
	Turnover	**Percentage of the total turnover**	**Turnover**	**Percentage of the total turnover**
	HK$'000		*HK$'000*	
Agricultural resources operation				
nitrogenous fertiliser	796,957	31%	571,440	25%
phosphorous fertiliser	175,274	7%	153,244	7%
potash fertiliser	142,244	6%	72,804	3%
compound fertiliser	467,938	18%	510,554	22%
pesticides	490,734	19%	500,178	22%
Agricultural resources products (subtotal)	2,073,147	81%	1,808,220	79%
Trading of non-agricultural resources products	478,897	19%	478,035	21%
Total	2,552,044	100%	2,286,255	100%

Aggregate sales volume of fertilisers, including nitrogenous fertiliser, phosphorous fertiliser, potash fertiliser and compound fertiliser, increased by around 14% from approximately 850,000 tonnes for the year ended 30 June 2006 to approximately 970,000 tonnes for the year ended 30 June 2007. The turnover for the year ended 30 June 2007 was approximately HK$1.582 billion, representing a growth of 21% compared to approximately HK$1.308 billion for the year ended 30 June 2006.

For pesticides, turnover dropped approximately 2% from HK$500 million for the year ended 30 June 2006 to approximately HK$491 million for the year ended 30 June 2007.

Turnover for non-agricultural resources product trading remained at approximately HK$480 million, which was similar to that of the year ended 30 June 2006.

Financial resources

The Group generally finances its operations with internally generated cashflow and bank facilities for its capital expenditures and other capital requirements.

As at 30 June 2007, the cash and bank balances and restricted bank deposits of approximately HK$377,634,000 included approximately HK$8,167,000 which was denominated in Hong Kong dollars, approximately HK$368,735,000 which was denominated in Renminbi, and approximately HK$732,000 which was denominated in US dollars.

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in Renminbi and that the exchange rate between Renminbi and Hong Kong dollar/US dollar was steady during the year under review, it has no significant exposure to foreign exchange rate fluctuations. During the year under review, the Group had not used any financial instruments for hedging purposes.

Borrowings and banking facilities

As at 30 June 2007, the Group had bank borrowings of approximately HK$287.2 million (denominated in Renminbi) which beared interest at rates ranging from 5.22% to 9.86% per annum, of which approximately HK$15.8 million, HK$13.4 million, HK$30.9 million, HK$178.3 million, HK$48.5 million and HK$0.3 million were secured by certain inventories, plant and machinery and investment property of the Group, properties of certain minority shareholders, pledged bank deposits of the Group plus guarantee provided by a subsidiary/director, corporate guarantee provided by certain subsidiaries, personal guarantee provided by a director, as well as guarantee provided by a third party, respectively.

At as 30 June 2007, the Group had bills payable of approximately HK$601 million which was denominated in Renminbi and the entire amount was secured by pledged bank deposits of approximately HK$180 million which was also denominated in Renminbi.

As at 30 June 2007, the Group maintained a gearing ratio of approximately 52%. This is based on the division of bank borrowings by total equity attributable to equity holders of the Company as at 30 June 2007. The Directors considered that the gearing ratio as at 30 June 2007 was healthy, taking into account of the nature and scale of operations of the Group.

Commitments

As at 30 June 2007, the Group had no significant outstanding contracted capital and other commitments. As at 30 June 2007, the Group had operating lease commitments of approximately HK$4,547,000.

Contingent liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Remuneration Policies and Share Option Scheme

The Group incurred total salaries and other remunerations of approximately HK$23 million with an average number of about 1,200 staff during the year ended 30 June 2007.

Remuneration packages comprised salary, mandatory provident fund and year-end bonus based on individual merits. A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 31 December 2001. The Scheme limit was refreshed pursuant to a resolution passed at the extraordinary general meeting of the Company held on 1 March 2006. During the year ended 30 June 2007, no option in respect of shares of the Company was granted to the relevant participants under the Scheme (2006: options in respect of 56,500,000 shares of the Company were granted).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

For the period from 24 February 2009 (date of incorporation of the PRC Subsidiary) to 31 December 2009

Business overview

During the period end 31 December 2009, the Target Group was engaged in the establishment of its plantation bases and acquisition of various species of seedlings. As at 31 December 2009, the Target Group established four plantation bases in Shanxi province with an aggregate land area of approximately 16,500 Chinese mu for plantation and cultivation of seedlings of whitebark pines and other species with an aggregate fair value of approximately HK$327 million.

As the Target Group was yet to commence sales during the period, no turnover was recorded. The Target Group recorded a profit of approximately HK$16 million, comprising a gain arising from changes in fair values of biological assets of approximately HK$18.7 million and administrative expenses of approximately HK$2.7 million.

Financial Review

As at 31 December 2009, the cash and bank balances of the Target Group of approximately HK$4.9 million included HK$4.5 million which was denominated in Hong Kong dollars and HK$0.4 million which was denominated in RMB.

As at 31 December 2009, the Target Group had no bank borrowing or material contingent liabilities.

As at 31 December 2009, the Target Group had no significant outstanding contracted capital commitments, and the total operating lease commitments was approximately HK$34.1 million.

For the four months' period ended 30 April 2010

Business Overview

During the four months period end 30 April 2010, the Target Group continued the establishment of its plantation bases and acquisition of various species of seedlings. As at 30 April 2010, the Target Group had eight plantation bases, comprising six in Shanxi province and two in Beijing, with an aggregate land area of approximately 21,800 Chinese mu for plantation and cultivation of seedlings of whitebark pines and other species with an aggregate fair value of approximately HK$1,096 million.

The Target Group commenced sales of seedlings since March 2010 and recorded a turnover and gross profit of approximately HK$67 million and HK$33 million respectively during the period, achieving a gross profit margin of approximately 49%. During the period ended 30 April 2010, the net profit of the Target Group was approximately HK$1,027 million, which included a gain arising from changes in fair values of biological assets of approximately HK$772 million and a negative goodwill arising from reorganization of the Target Group of approximately HK$223 million.

Financial Review

As at 30 April 2010, the cash and bank balances of the Target Group of approximately HK$3.1 million was denominated in RMB.

As at 30 April 2010, the Target Group had no bank borrowing or material contingent liabilities.

As at 30 April 2010, the Target Group had no significant outstanding contracted capital commitments, and the total operating lease commitments was approximately HK$44.1 million.

RISK FACTORS

Risks relating to forestry industry

The continuing success of the Company depends on the ability of the PRC Subsidiary to continue its business in plantation, cultivation, landscape architecture and ecological rehabilitation. The business and results of operations are susceptible to the cyclical nature of forestry markets and are vulnerable to fluctuations in prices of whitebark pines.

Forests plantations are extremely vulnerable to accidents such as fire at plantation and cultivation sites or other neighboring forests and also calamities such as flooding or typhoon which could materially and adversely affect its business operations. Pests, rots and other disease may impact the growth yield and quality of the whitebark pines produced, and the operations and financial performance of the Enlarged Group could be adversely affected.

Threat of competition from similar or substitutable products

The Target Group is expected to compete with the PRC and international companies, which may have competitive advantages over the Target Group in terms of, for example, resources, technical capability, customer base, brand name and distribution power. In view of these factors, the Target Group's competitor may be able to adapt to rapid changes in technology and customer preference and needs in these industries, to take advantage of business opportunities more readily and adopt more aggressive pricing policies than the Target Group. However, the competition in similar or substitutable products is uncertain as no information in respect of the competition is publicly available.

Validity of the Forest Right Certificates

Despite the fact that the PRC subsidiary has obtained the Forest Right Certificates in the plantation and cultivation sites during the licensed period, the Forest Right Certificates are subject to renewal in the future and the PRC subsidiary may not be able to renew or extend its Forest Right Certificates under any unforeseeable circumstances. In the event that the PRC subsidiary fails to renew the Forest Right Certificates upon expiration, the operation and financial performance of the Enlarged Group may be adversely affected.

RULES AND REGULATIONS FOR THE PRC SUBSIDIARY

Regulation on Forestry and seed production operation

According to the Seed Law of the PRC (中華人民共和國種子法) passed on 8 July 2000 and amended on 28 August 2004 by the Standing Committee of the National People's

Congress and the Measures for the Forestry and Seed Production and Operation License (林木種子生產、經營許可證管理辦法) promulgated by the State-owned Forestry Resources on 2 November 2002 and took effect on 15 December 2002, the unit and individual who are engaged mainly in the production and operation of forestry and seed products shall obtain forestry and seed production license and forestry and seed operation license and produce and operate according to the production and operation places and production and types of operation designated by the license. The department head of local people's governments above the county level are responsible for the approval, issue and management of forestry and seed production and operation licenses within the administrative regions. The issue authority identifies the valid areas of the seed operation license. Seed operators who establish branch authorities in the valid area as stipulated in the operation license do not need to re-apply the seed operation license.

Regulation on contracted agricultural land operation

According to the Contracted Agricultural Land Law of the PRC (中華人民共和國農村土地承包法) passed and promulgated by the Standing Committee of the National People's Congress on 29 August 2002, the Measures for the Contracted Agricultural Land Operation License of the PRC (中華人民共和國農村土地承包經營權證管理辦法) promulgated by the Ministry of Agriculture on 14 November 2003 and took effect on 1 January 2004 and the Real Rights Law of the PRC (中華人民共和國物權法) promulgated by the Standing Committee of the National People's Congress on 16 March 2007 and took effect on 1 October 2007, the contracted land operation system is imposed on farmlands collectively-owned by farmers and the State-owned but collectively used by farmers. The contracted land operation right is established since the effectiveness of the contract of the contracted land operation right.

The local people's governments above the county level shall issue contracted land operation right and forest ownership certification to the holder of contracted land operation right and apply for registration to recognize the contracted land operation right. The certification for operating contracted land is the legal evidence that the State recognizes the contractor enjoys the contracted land operation right after the effectiveness of the contract of the contracted land operation right. The State protects the contractor to circulate the contracted land operation right in a legal, voluntary and with consideration manner. Through the legal registration to obtain the certification of contracted land operation right or forestry ownership certification, the contracted land operation right can be legally circulated by way of transfer, lease, investment, pledge or otherwise. The circulation period of the land contract operation right should not exceed the remaining period of the contract period. Without the legal approval, the contract land should not be used in non-agricultural facilities. If the contractor circulate the rights by way of sub-contract, lease and exchange or otherwise, the contractor should report to the leaser immediately. If by the way of transfer, the contractor should put forward the transfer application beforehand. After the approval of the leaser, the contractor circulates the right by way of transfer can request to immediately process the change, deregistration and re-issue of the agricultural land contract operation right.

According to the Measures for the Administration of Circulation of Agricultural Land Contracted Management Right (農村土地承包經營權流轉辦法) promulgated by the Ministry of Agriculture on 19 January 2005 and took effective on 1 March 2005 and the Explanation of the Higher People's Court in relation to Judge the Agricultural Land Litigation Applicable to Legal Problems (最高人民法院關於審理涉及農村土地承包糾紛案件適用法律問題的解釋) announced by the Higher People's Court on 29 July 2005 and took effect on 1 September 2005, if the leaser enter into more than two contracts in relation to the same land, the contractor who have legally register will obtain the contracted land operation right. If both parties do not legally apply for registration, the contractor with the contract first taking effect will obtain the contracted land operation right. If there is uncertainty based on the aforesaid situation, the one who legally use the land in accordance with the contract will obtain the contracted land operation right. However, the fact that one party forcefully occupies the land after the arguments occur cannot be the evidence for the recognition for the contracted land operation right. If the contractor does not legally register to obtain the contracted land operation right and the contracted land operation right is circulated by way of transfer, lease, investment and pledge, leaser can demand for the recognition of the circulation as invalid, except for the case of the contractor not being able to register to obtain certifications for operating the contracted land due to reason not arising from the contractor.

Forest Ownership Management

Pursuant to the Forest Law of the PRC (中華人民共和國森林法) promulgated by the Standing Committee of the National People's Congress on 20 September 1984 and amended on 29 April 1998 and the Regulations for the Implementation of Forestry Law of the PRC (中華人民共和國森林法實施條例) promulgated by the State Council on 29 January 2000, all forest lands in China belong to state ownership and collective ownership. Individuals have the right to use forest lands, the ownership over forest woods and the right to use forest woods. The State adopts registration system of forest, forest wood and forest land according to law. The ownership and right of use of legally registered forest, forest wood and forest land (collectively referred as "forest ownership") shall be protected by the laws. No unit or individual shall infringe. According to the Regulations on the Registration of the Ownership of the Forest and the Forest Land, promulgated by the State Forestry Administration on 2 November 2000, the competent forestry departments at the county level or above are the competent authorities for the administration of forest ownership.

According to the abovementioned requirements, timber stands, economic forests and firewood forests and their woodland use right, the woodland use right for the cutting blanks and the burns, and the use rights for other forests, trees and other woodlands stipulated by the State Council can be legally transferred, converted into shares at a consideration, or used as conditions for contribution or cooperation for joint ventures for forestation and operation of trees, among which, timber stands refer to the forests and trees mainly at timber production, inclusive of bamboo groves mainly aimed at bamboo production; economic forests refer to the trees mainly aimed at the production of fruits, edible oils, soft drinks and ingredients, industrial raw materials, and medicinal materials; firewood forests refer to the trees mainly aimed at the production of fuels.

Taxation

According to the stipulations of Article 15 of the Provisional Regulations of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例) amended by the State Council on 5 November 2008 and come into effect on 1 January 2009, the following items shall be exempted from VAT: (1) Self-produced agricultural products sold by agricultural producers; and according to the stipulations of Article 35 of Rules for the Implementation of the Provisional Regulation of the PRC on Value-added Tax (中華人民共和國增值稅暫行條例實施細則) amended by the Ministry of Finance and the State Administration of Taxation on 15 December 2008 and come into effect on 1 January 2009, the scope for some of the tax-exempt items listed in Article 15 of the Regulations are as follows: (1) "Agricultural" as stated in Item (1) of Paragraph (1) refers to planting, breeding, forestry, animal husbandry and aquatic products industry.

Pursuant to the stipulations in Item 1 of Article 27 of the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅法) passed by the Standing Committee of the National People's Congress on 16 March 2007 and effective as of 1 January 2008, the following income of an enterprise may be subject to the exemption or reduction of enterprise income tax: (1) income from engaging in projects on agriculture, forestry, animal husbandry and fisheries. Article 86 of the Implementation Rules of the Law of the PRC on Enterprise Income Tax (中華人民共和國企業所得稅實施條例) promulgated by the State Council on 6 December 2007 and come into effect on 1 January 2008 provides further details to the above requirements, which stated that the following income may be subject to full exemption of enterprise income tax: 4. Cultivating and growing trees; and according to the stipulations of the Notice of the State Administration of Taxation on the Implementation on Preferential Tax Treatment for Enterprises of Engaging on Agriculture, Forestry, Animal Husbandry and Fishery (國家稅務總局關於貫徹落實從事農、林、牧、漁業項目企業所得稅優惠政策有關事項的通知) (No. 850 [2008] of the State Administration of Taxation), "the Preferential Income Tax Policy in relation to agriculture, forestry, animal husbandry and fishery as stated in Article 86 of The Implementation Rules can be directly implemented at local authorities. For the tax-free items, the income tax paid will be returned timely".

Labor Relationship

Pursuant to the Labor Law of the PRC (中華人民共和國勞動法) promulgated by the Standing Committee of the National People's Congress on 5 July 1994 and come into effect on 1 January 1995 and Law of the PRC on Employment Contracts (中華人民共和國勞動合同法) promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and come into effect on 1 January 2008, a labor contract shall be concluded in written form where a labor relationship is to be established between a laborer and an employing unit. The employing unit shall not extend working hours of laborers in violation of the provisions of laws and regulations mentioned above. Wages paid to laborers by the employing unit shall not be lower than the local standards on minimum wages. The employing unit must establish and perfect the system for occupational safety and health, strictly implement the rules and standards of the State on occupational safety and health, educate laborers on occupational safety and health, prevent accidents in the process of work, and reduce occupational hazards. The employing unit must provide laborers with occupational safety and health conditions conforming to the provisions of the State and necessary articles of labor protection, and providing regular health examination for laborers engaged in work with occupational hazards. The State shall provide female workers and juvenile workers with special protection.

Pursuant to the Interim Regulation on the Levy of Social Insurance Premiums (社會保險費征繳暫行條例) promulgated by the State Council on 22 January 1999 and the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法) promulgated by the Ministry of Labor and Social Security on 19 March 1999, enterprises and their employees shall pay basic pensions, basic medical insurance premiums and unemployment insurance premiums. Enterprises shall carry out social insurance registration with local social insurance agencies.

Pursuant to the Regulation of Insurance for Labor Injury (工傷保險條例) promulgated by the State Council on 27 April 2003 and effective as of 1 January 2004, all types of enterprises shall pay work-related injury insurance premiums for all of the staff and workers or hired workers in their work unit. Employees are not required to pay work-related injury insurance premiums themselves.

Pursuant to the Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) promulgated by the Ministry of Labor and Social Security on 14 December 1994 and effective as of 1 January 1995, enterprises shall pay maternity insurance for the staff on a basis of not higher than 1% of the staff's total salaries. Employees are not required to pay maternity insurance themselves.

Pursuant to the Housing Pension Administrative Rules (住房公積金管理條例) promulgated by the State Council on 3 April 1999 and effective on 24 March 2002, enterprises shall undertake registration of payment and deposit of housing provident fund at the managing center of housing provident fund and open a special account of housing provident fund in the commissioned bank. The payment and deposit ratio of housing provident fund of a worker and staff as well as a unit shall not be less than 5% of the monthly average salary in the last year. The housing provident fund paid and deposited by workers and staff themselves as well as that paid and deposited by units to which the workers and staff belong is owned by the workers and staff themselves.

Pursuant to the Guiding Opinions of the State Council Regarding Development of New Rural Social Old-Age Insurance on an Experimental Basis (國務院關於開展新型農村社會養老保險試點的指導意見) and the Opinions on the Implementation of the Shanxi People's Government Regarding Development of New Rural Social Old-Age Insurance on an Experimental Basis (山西省人民政府關於開展新型農村社會養老保險試點的實施意見) (Jin Zheng Fa [2009] No.37) promulgated by the State Council on 1 September 2009, rural residents at the age 16 or above (excluding students), who have not participated in the basic old-age insurance for urban workers, can participate in the new old-age insurance system at their registered permanent residence on voluntary basis. The new old-age insurance system for rural residents consists of individual contributions, collective subsidies (village collectives with good condition) and government subsidy.

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, National Development and Reform Commission, Ministry of Finance, Ministry of Commerce and the State Administration of Taxation of the PRC 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.

As the new business is an extension of the scope of the Group's existing agricultural businesses and hence it is expected that the existing businesses will continue in the foreseeable future. Accordingly, the Directors confirm that there will be no change in principal business of the Company immediately subsequent to Completion.

The Company intends to maintain the employment of the existing management team of the Target Group after the acquisition has been consummated, and through sharing the expertise experience with the management of the Target Group, training in respect of the knowledge of the new business to the Company's existing employees can be provided.

RECENT DEVELOPMENT OF THE GROUP

For the six months ended 31 December 2009, the Group's consolidated turnover was approximately HK$1,563,790,000 (2008: HK$1,488,500,000) and net profit attributable to equity holders of the Company was approximately HK$1,226,000 (2008: HK$20,346,000), representing a growth of about 5% and a decline of about 94% respectively as compared to those of the last financial period.

Excluding the impact of certain one-off non-cashflow items (i.e. valuation losses on investment properties, profit/(loss) on disposal of subsidiaries and employee share-based compensation expense), the net profit was approximately HK$12,673,000 (2008: HK$21,621,000), representing a decrease of approximately 41%. The major factor causing the decrease in net profit was the decrease in overall gross profit during the six months ended 31 December 2009 as a result of the economic downturn arising from the worldwide financial crises occurred in the last quarter of 2008. As such, the extent of drop in selling prices of the Group's products was greater than the decrease in cost of purchase, and hence, the overall gross profit margin shrinked.

The gradually resuming market environment prompted the Group in adjusting its corporate strategy in 2010. The Group has been focusing on more balanced product mix and cut down production of low margin products. The Group has also been establishing new production bases and reengineering its existing production facilities with a view to grasp the opportunities from market resumption.

FINANCIAL AND TRADING PROSPECTS

Despite prices of various fertilizers are currently at a relatively low level, price trend for 2010 depends on a number of factors which include the speed of the global economic recovery and the demand for foodstuff. However, the PRC government has been working on deepening the agricultural reform, increasing farmers' income and stepping up its efforts to address the "three rural (rural areas, farmers and agriculture) issues". In particular, the 2010 No. 1 Document issued by the Central Committee of the PRC emphasized a continuous increase in the input in the agricultural sector in terms of total volume, as well as a steady growth in proportion. The PRC government also takes every measure to increase the grain production, which will speed up the resumption pace of the fertilizer market in the coming years and provides a great room for the development of the industry.

In the coming year, the Group will continue to strengthen its risk management and will take a prudent approach in the hope of steering clear of adversities. Besides, overcapacity has prompted a gradual consolidation in the domestic fertilizer industries. The Group also takes this opportunity to effect a restructuring to reinforce its core competitiveness by consolidating existing businesses while setting new development direction.

Looking forward, in addition to the on-going pursuit of its centralized purchase and distribution policy and optimization of product mix, the Group will actively strengthen strategic cooperation with upstream brandname suppliers to further explore quality resources thereby increasing its stability and sustainability.

The Group had further strengthened its capital structure by raising new funds from placing of new shares during the 2010, which enabled the Group in seeking investment opportunities.

SHAREHOLDING STRUCTURE OF THE COMPANY

As at the Latest Practicable Date, 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 Latest Practicable Date; 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:

	(i) As at the Latest Practicable Date		**(ii) Upon full conversion of the Convertible Bonds** (Note 1)	
	Number of Shares	*approximate %*	*Number of Shares*	*approximate %*
First Vendor (Note 2)	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 (Note 3)	750,000	0.12	30,750,000	2.13
Fifth Vendor (Note 4)	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
Total	642,765,216	100.00	1,442,765,216	100.00

Notes:

1. 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.

2. The First Vendor is an executive Director and a Controlling Shareholder and hence a connected person of the Company.

3. The Fourth Vendor and its associates are interested in 750,000 Shares as at the Latest Practicable Date. 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.

4. The Fifth Vendor and its associates are interested in 580,000 Shares as at the Latest Practicable Date. 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.

FINANCIAL EFFECTS OF THE ACQUISITION

Following Completion, the Target Company will become a wholly-owned subsidiary of the Company. The following sets out, for illustrative purposes only, the key financials of (i) the unaudited pro forma income statement of the Enlarged Group for the year ended 30 June 2009 as if Completion had taken place on 1 July 2008; and (ii) the unaudited pro forma balance sheet of the Enlarged Group as at 31 December 2009 as if Completion had taken place on 31 December 2009. Please refer to Appendix IV to this circular for basis of preparing the unaudited pro forma financial information on the Enlarged Group before and after Completion.

Earnings

The audited net profit of the Group attributable to equity holders of the Company for the year ended 30 June 2009 as extracted from the consolidated income statement of the Group for the year ended 30 June 2009 was approximately HK$11.1 million.

As set out in Appendix IV to this circular, assuming Completion had taken place on 1 July 2008, the unaudited pro forma net profit of the Enlarged Group attributable to equity holders of the Company would be approximately HK$22.8 million.

Net Assets

The unaudited consolidated net asset value of the Group as at 31 December 2009 as extracted from the interim report of the Company for the six months ended 31 December 2009 was approximately HK$805 million, comprising total assets of approximately HK$2,728 million and total liabilities of approximately HK$1,923 million.

As set out in Appendix IV to this circular, assuming Completion had taken place on 31 December 2009, the unaudited pro forma net assets of the Enlarged Group would have been approximately HK$1,070 million, comprising of pro forma total assets of approximately HK$3,882 million and pro forma total liabilities of approximately HK$2,812 million.

Gearing ratio

The unaudited consolidated indebtedness (including bank loans and convertible bonds) of the Group as at 31 December 2009 as extracted from the interim report of the Company for the six months ended 31 December 2009 was approximately HK$503 million. The Group's gearing ratio was approximately 64% which is based on the division of the total amount of bank loans and convertible bonds by equity attributable to equity holders of the Company as at 31 December 2009.

As set out in Appendix IV to this circular, assuming Completion had taken place on 31 December 2009, the pro forma indebtedness (including bank loans, convertible bonds and promissory notes) of the Enlarged Group would have been approximately HK$1,261 million. The Enlarged Group's gearing ratio would have been approximately 120% which is based on the division of the total amount of bank loans, convertible bonds and promissory notes by equity attributable to equity holders of the Company as at 31 December 2009.

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 Latest Practicable Date. 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 Latest Practicable Date, 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 respective associates, no Shareholder is required to abstain from voting to approve the S&P Agreement and the transactions contemplated thereunder at the EGM. The First Vendor, Fourth Vendor, Fifth Vendor and their respective associates will 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 Latest Practicable Date and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners are Independent Third Parties. 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.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee which comprises Mr. Lam Ming Yung, Mr. Zhang Shaosheng and Mr. Wong Kin Tak, all being the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the S&P Agreement and the transactions contemplated thereunder.

Nuada has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the S&P Agreement and the transactions contemplated thereunder.

The Independent Board Committee and the Directors, having taken into account the advice of Nuada, consider that the S&P Agreement was entered into on normal commercial terms and that the terms of the S&P Agreement are fair and reasonable and in the interests of the Group so far as the Independent Shareholders are concerned and accordingly recommend the Independent Shareholders to vote in favour of the ordinary resolutions which will be proposed at the EGM for approving the S&P Agreement and the transactions contemplated thereunder.

The text of the letter from the Independent Board Committee is set out on pages 53 to 54 of this circular and the text of the letter from Nuada containing its advice is set out on pages 55 to 65 of this circular.

GENERAL

The EGM will be held at Plaza 3, Lower Lobby, Novetel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 15 October 2010 at 11:00 a.m. to consider, if thought fit, approve, amongst other things, the terms of the S&P Agreement and the transactions contemplated thereunder by the Independent Shareholders.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon to the principal office of the Company at Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so desire.

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.

RECOMMENDATION

The Board having taken into account the advice of Nuada and the Independent Board Committee considers that (i) the terms of the S&P Agreement and the transactions contemplated thereunder are fair and reasonable; (ii) the S&P Agreement and the transactions contemplated thereunder are beneficial to and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

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)

25 September 2010

To the Independent Shareholders

Dear Sir/ Madam,

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

We refer to the circular of the Company dated 25 September 2010 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members to form the Independent Board Committee and to advise you whether the terms of the S&P Agreement are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolution regarding the S&P Agreement and the transactions contemplated thereunder.

Nuada has been appointed to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned, whether such terms are in the interests of the Company and the Independent Shareholders as a whole and how to vote on resolution regarding the S&P Agreement and the transactions contemplated thereunder. Details of its advice, together with the principal factors taken into consideration in arriving at such advice, is set out on pages 55 to 65 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 7 to 52 of the Circular and the additional information set out in the appendices to the Circular.

* *for identification purpose only*

Having considered the terms of the S&P Agreement and the advice from Nuada, we are of the opinion that the terms of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the S&P Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee of
China Agrotech Holdings Limited

Mr. Lam Ming Yung	**Mr. Zhang Shaosheng**	**Mr. Wong Kin Tak**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

Nuada Limited
Corporate Finance Advisory

17th Floor, BLINK, 111 Bonham Strand
Sheung Wan, Hong Kong
香港上環文咸東街 111 號 BLINK 17 字樓

25 September 2010

To the Independent Board Committee
and the Independent Shareholders
of China Agrotech Holdings Limited

Dear Sirs,

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

INTRODUCTION

We refer to the circular dated 25 September 2010 (the "Circular") issued by the Company to its Shareholders of which this letter forms part and to our appointment to advise the Independent Board Committee and the Independent Shareholders in relation to the S&P Agreement, details of which are set out in the "Letter from the Board" (the "Letter") contained in the Circular and in which this letter is reproduced. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular of which this letter forms part unless the context otherwise requires.

Further to the announcement on 12 March 2010, the Company being the Purchaser, the Vendors and the Warrantors entered into the S&P Agreement on 22 June 2010 to formalize the intended acquisition of the Sale Shares. Pursuant to the S&P Agreement, the Purchaser 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. Pursuant to the terms of the S&P Agreement, the Consideration shall be settled by the issue of the Promissory Notes and Convertible Bonds. The Target Company shall become a wholly-owned subsidiary of the Company upon Completion.

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. Since Mr. Wu Shaoning, the First Vendor, is 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 as at the Latest Practicable Date, the First Vendor is a connected person of the Company and the transaction contemplated under the S&P Agreement therefore constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The S&P Agreement and the transactions contemplated thereunder, will be subject to Independent Shareholders' approval at the EGM.

At the Latest Practicable Date, 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, other than 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.

Other than the First Vendor, 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.

The Independent Board Committee which comprises Mr. Lam Ming Yung, Mr. Zhang Shaosheng and Mr. Wong Kin Tak, all being the independent non-executive Directors, has been established to advise the Independent Shareholders as to whether the S&P Agreement and the transactions contemplated thereunder are (i) on normal commercial terms; and (ii) the terms of the S&P Agreement are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, opinion and representations contained or referred to in the Circular and the information, opinion and representations provided to us by the management of the Company and the Directors. We have assumed that all information, opinion and representations contained or referred to in the Circular and all information, opinion and representations which have been provided by the management of the Company and the Directors, for which they are solely and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so at the date hereof.

Accordingly, we have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information, opinion and representations contained in the Circular, or the reasonableness of the opinions expressed by the management of the Company and the Directors provided to us. The Directors collectively and individually accept full responsibility for the accuracy of the information in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts the omission of which would make any statement in the Circular misleading. Furthermore, we relied on the Company that it has provided us sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have relied on such information and opinions but have not, however, conducted any independent in-depth investigation into the business, financial conditions and affairs or the future prospects of the Group nor have we considered the taxation implication on the Group or the Shareholders as a result of the entering of the S&P Agreement.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the entering of the S&P Agreement, we have considered the following factors and reasons:

1. Reasons and benefits of entering of the S&P Agreement

(i) Background of the Group

The Company is a company incorporated in Cayman Islands with limited liability. Its securities are listed on the Main Board of the Stock Exchange of Hong Kong Limited. The Company acts as an investment holding company. Its subsidiaries are principally engaged in (a) the trade of pesticides, fertilizers and other agricultural products; (b) the manufacture and sales of plant growth regulatory products, pesticides and fertilizers; (c) the provision of plant protection technical services; and (d) the trade of non-agricultural resources products.

According to the Group's annual report for the year ended 30 June 2009 (the "Annual Report"), the turnover of the Group increased by approximately 9.8% from HK$2,894,984,000 in 2008 to HK$3,178,420,000 in 2009. Gross profit reduced by approximately 26% from HK$286,805,000 to HK$212,373,000. As stated in the Annual Report, the large reduction in gross profit is due to the impact of the global financial turmoil and a sharp fall in commodity prices.

To cope with the future opportunities in the seedling industry in the PRC, the Directors believe that the S&P Agreement will provide an opportunity for the Company to diversify its scope of agricultural business and further utilize its distribution network of agricultural resources products developed over the years, enlarge its asset base and enhance its source of income.

(ii) Background of the Target Group

The principal business of the Target Group includes research and development, nursing, planting and sales of landscaping seedlings, led by whitebark pine and other rare seedlings.

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 in January 2010. 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 RMB260,000,000 and the then fair value of the biological assets of the PRC Subsidiary of approximately RMB270,000,000.

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 recognized since its incorporation.

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

The PRC Subsidiary was incorporated in the PRC on 24 February 2009 and was acquired by Sky Link in January 2010. 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 PRC Subsidiary's current seedling bases are located in Shanxi Province and Beijing, the PRC, and the PRC Subsidiary is planning on the construction of new seedling promotion parks in Shanxi, Beijing and Tianjin, the PRC. After 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. Operation of the PRC Subsidiary has commenced since its establishment and turnover was recognized since March 2010.

(iii) Overview of the seedling Industry in PRC

Future development of PRC economy will increase the domestic demand for agricultural products and hence it is the fundamental driving force for the growth of the seedling industry. The raising living standard, 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 PRC.

In addition, according to the 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 PRC and the State Administration of Taxation on 29 October 2009, the gross product value of forestry industries is targeted to be increased at a steady growth rate of approximately 12% per year from RMB1,440 billion in 2008 to RMB2,260 billion in 2012. The PRC government will provide financial support and encourage financial institutions to offer loan facilities with favorable terms to seedlings planting enterprises.

By considering that (i) the need of the Company to diversify its business in order to broaden the revenue base and to reduce the risk; (ii) the business nature of the Target Group which matches the Company's needs; and (iii) the future opportunities in the seedling industry in the PRC, we are of the view and concur with the view of the Directors that the S&P Agreement is in the interests of the Company and the Shareholders as a whole.

2. Consideration and funding

(i) Basis of the Consideration

Pursuant to the S&P Agreement, the Consideration of HK$1,000,000,000 shall be satisfied by issuing to the Vendors HK$800,000,000 Convertible bonds and HK$200,000,000 Promissory Notes. The Consideration was determined by the Vendors and the Company on the basis of normal commercial terms and arm's length negotiations 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 capitalization 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 surveyor LCH (the "Valuation Report") 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.

Based on the Valuation Report provided by LCH (Asia-Pacific) Surveyors Limited ("LCH"), as set out in Appendix V to the Circular, the valuation for the assets to be acquired by the Group as at 30 April 2010 was RMB963,000,000 (equivalent to approximately HK$1,096,000,000).

We have reviewed and discussed with LCH, the approach to value and valuation assumptions regarding the Valuation Report and are of the view that they are reasonably prepared. Further details can be found in the section headed "Valuation Report" below. We have also compared the Consideration to the audited net assets value as at 30 April 2010 of the entire interest of the Target Group to be acquired by the Group which is of approximately HK$1,028,000,000 as stated in the Accountants' Report of the Target Company in Appendix II of the Circular, the Consideration represents a discount of approximately 2.7%.

Based on the Target Net Profits of HK$120,000,000 in 2011, the Consideration represents a price earnings ratio of 8.33 times. In order to have a fair comment on the Consideration, we have reviewed the information on the Stock Exchange of five companies that are engaged in the similar business (forestry or plantation) of the Company up to the date of entering the S&P Agreement. They are China Timber Resources Group Limited (stock code: 269), China Forestry Holdings Company Limited (stock code: 930), China Green (Holdings) Limited (stock code: 904), Asian Citrus Holdings Limited (stock code: 73) and Superb Summit International Timber Company Limited (stock code: 1228). Except for China Timber Resources Group Limited which recorded a net loss, all the other four companies have a profit for their latest financial year. The price earnings ratio of China Forestry Holdings Company Limited, China Green (Holdings) Limited, Asian Citrus Holdings Limited and Superb Summit International Timber Company Limited were approximately 16.58 times, 13.82 times, 10.13 times and 1.60 times respectively. The price earnings ratio of 8.33 times is lower than 10.53 times, which is the average of the price earnings ratios of the four comparable companies. Therefore, we consider the Consideration to be fair and reasonable.

Based on the audited net asset value of the Target Group of approximately HK$1,028,000,000 as stated in the Accountants' Report of the Target Company in Appendix II of the Circular, the Consideration represents a price to book ratio of 0.97 times. We have also reviewed the price to book (based on net assets value as disclosed in the latest published accounts) ratios of the above five comparable companies. Their price to book ratios were approximately 0.98 times, 0.88 times, 2.44 times, 1.42 times and 0.28 times respectively. The price to book ratio of 0.97 times is lower than 1.20 times, which is the average of the price to book ratios of the five comparable companies. As the Consideration represents: (i) a discount to the consolidated audited net assets of the Target Company; and (ii) a price to book ratio which is lower than the average of comparable companies, we consider the Consideration to be fair and reasonable.

We understand from the Company that the Board has 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) before the Completion of the Original Acquisition in January 2010, the Target Group was still undergoing a reorganization and subject to the risk of the due diligence result not being satisfactory; (ii) after the Original Acquisition, the number of plantation and cultivation locations of the PRC Subsidiary has increased from four to eight locations and the aggregate land area has increased from approximately 16,400 to approximately 21,800 Chinese Mu; (iii) the Target Group recorded no turnover until March 2010 but after the Original Acquisition it obtained a number of letters of intent in respect of sales of seedling and other projects; (iv) 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 capitalization 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 LCH on market approach, was approximately HK$1,096,000,000 as at 30 April 2010, we are of the view that the Consideration payable to the First Vendor for his 51% shareholding in the Target Company is fair and reasonable.

Even though the Consideration is higher than the investment cost of the First Vendor, as the audited net assets value as at 30 April 2010 of the Target Group, is approximately HK$1,028,000,000, we consider the Consideration, representing a discount of approximately 2.7% to the entire interests of the Target Group to be acquired by the Group, to be fair and reasonable.

(ii) Payment Method

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 stated in paragraph headed "Consideration and terms of payment" in the Letter.

Convertible bonds

Pursuant to the S&P Agreement, HK$800,000,000 of the Consideration shall be satisfied by the issuance of the Convertible Bonds with a Conversion Price of HK$1.00 per Conversion Share (subject to adjustments). The Convertible Bond is of a term of five years and carries no interest.

1. Conversion Price

In order to assess the fairness of the Conversion Price, we compare the Conversion Price with the market price of the Shares. We have reviewed the movements in the trading price of the Shares during the period from 1 June 2009 to 22 June 2010 (the "Review Period"). The closing prices of the Shares during the Review Period are set out below:

For the Bondholders other than the Second Vendor, the Conversion period is at 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. For the Second Vendor, restrictions on Conversion period is imposed to guarantee the Target Net Profits as stated in the paragraph headed "Consideration and terms of payment" and "Convertible Bonds" in the Letter.

During the review Period, the lowest closing price was HK$0.59 per share (recorded on 26 May 2010), the highest closing price was $1.27 per share (recorded on 5 January 2010) and the average closing price per Share during the Review Period was HK$0.858. As such, the Conversion Price represents (i) a premium of approximately 69.5% over the aforesaid lowest closing price; (ii) a discount of approximately 21.3% over the aforesaid highest closing price; and (iii) a premium of approximately 16.6% over the aforesaid average closing price. Besides, 31 out of the 250 days during the Review Period which the Shares were being traded, representing 12.4% thereof, were the closing price of the Shares higher than the Conversion Price.

We are of the view that the Conversion Price is justifiable as they represent:

(i) a premium of approximately 22% over the closing price of HK$0.82 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 29% over the average of the closing prices of HK$0.774 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; and

(iii) a premium of approximately 35.5% over the average of the closing prices of HK$0.738 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day.

2. Interest

No interest is payable by the Company under the Convertible Bonds, therefore it can save the cost of borrowing when compare with other financing methods.

3. Conversion period

For the Second Vendor, restrictions on Conversion period is imposed to guarantee the Target Net Profits. 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 in the 2011 Accounts and/or the 2012 Accounts is/are less than the Target Net Profits, as a mechanism to adjust the Consideration, and the principal amount of the relevant Convertible Bonds can be reduced to offset any unsettled Shortfall.

We consider that the terms are fair and reasonable because (i) the Conversion Price is set at a premium of the closing market price of the Shares on the last trading day; (ii) the Convertible Bonds with zero interest reduces the cost of borrowing; and (iii) the arrangement in relation to the Consideration Adjustment provides mechanism to reduce the total Consideration through reducing the principal amount of the Convertible Bonds if Target Net Profits can not be met.

Promissory Note

Pursuant to the S&P Agreement, HK$132,000,000 and HK$68,000,000 of the Consideration shall be satisfied by the issuance of the First Promissory Note and the Second Promissory Note respectively. The Promissory Notes are of zero interest with 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. As such, we consider that the terms are fair and reasonable. The issue and repayment of the Promissory Note would not dilute the shareholding interests of the existing Shareholders.

Based on the fact that (i) the zero interest rate of the Convertible Bonds and the Promissory Note; (ii) the Promissory Note would not dilute the shareholding interests of the existing Shareholders; (iii) the Conversion Price is set at a premium of the closing market price of the Shares on the last trading day; and (iv) the Consideration Adjustment provides mechanism to reduce to Consideration, we are of the view that the payment terms of the S&P Agreement is fair and reasonable.

3. Valuation Report

In assessing the fairness and reasonableness of the valuation of the biological assets which form the substantial portion of the assets of the Target Group, we have also studied the Valuation Methodology, basis of valuation and assumptions underlying the Valuation Report.

a. Valuation methodology

It is stated in the Valuation Report that LCH had considered three generally accepted valuation approaches, i.e. the Market Approach, the Income Approach and the Cost Approach and considered to use the Market Approach.

b. Valuation and assumptions

The valuer has considered the nature of the asset and the forestry industry in the valuation process. Based on the International Valuation Standard and the normal practice to value standing tree, the Market Approach has been adopted in the valuation process in this case as market prices of similar assets are available. This Market Approach uses the summation of the product of the market price per tree and the total number of trees of each tree species to estimate the value. On the other hand, the valuer also used the Cost Approach to value several species planted or purchased recently because of some little biological transformations from the time they were planted or purchased to the date of valuation. We also understand that the assumptions used in the valuation are all normal practice and no abnormal assumption is used.

Having considered the above, we are of the view that the Valuation Report is well prepared and the valuation performed by LCH is fair.

4. Dilution to the shareholdings of the Independent Shareholders

The shareholding interest of the independent Shareholders would reduce from approximately 68.18% as at the Latest Practicable Date to approximately 30.37% upon allotment and issue of the Conversion Shares (on the basis that the limitation on conversion as mentioned above does not apply), assuming that (i) none of the Existing Convertible Bonds will be converted into Shares; (ii) none of the outstanding share options of the Company will be exercised; and (iii) no further new Shares other than the Conversion Shares will be issued.

Having considered the S&P Agreement would (i) provide an opportunity for the Group to diversify its business and to gain access to markets of new species; and (ii) broaden the revenue base of the Group, we consider that such dilution on the shareholding interests of the existing public Shareholders is fair and reasonable.

5. Financial effects of the S&P Agreement

Prior to the S&P Agreement, the Company does not hold any interest in the Target Group. Upon Completion, the Company will own the entire equity interest in Target Company, and as stated in the paragraph headed "Unaudited pro forma financial information of the Enlarged Group" in Appendix IV to the Circular, we consider the followings:

Net assets

As stated in Appendix IV to the Circular, the net assets of the Group as at 31 December 2009 was approximately HK$805,463,000. Assuming Completion had taken place as at 31 December 2009, the pro forma net assets of the enlarged group would have been approximately HK$1,070,154,000.

Working capital

As stated in Appendix IV to the Circular, the net current assets of the Group as at 31 December 2009 was approximately HK$563,823,000. Assuming Completion had taken place, the pro forma net current assets of the enlarged group would have been approximately HK$482,738,000.

Earnings

As stated in Appendix IV of the Circular, the net profit attributable to equity shareholders of the Company for the year ended 30 June 2009 was approximately HK$11,067,000. Assuming Completion had taken place as at 1 July 2008, the pro forma net profit of the enlarged group attributable to equity shareholders of the Company would have been approximately HK$22,753,000.

By considering that (i) the opportunity for the Company to diversify its business, to broaden the revenue base and increase its profit; and (ii) the future opportunities in the seedling industry in the PRC mentioned before, we are of the view that the S&P Agreement is in the interests of the Company and the Shareholders as a whole even though the net current assets of the company would decrease.

RECOMMENDATION

Given that (i) the need of the Company to diversify its business in order to broaden the revenue base and to reduce the risk; (ii) the business nature of the Target Group which matches the Company's needs; (iii) the future opportunities in the seedling industry in the PRC; and (iv) the Consideration represents a discount to the audited net assets of the Target Company, we are of the opinion that although the entering into of the S&P Agreement is in itself not in the ordinary and usual course of business of the Company due to its substantial in nature, the terms of the S&P Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend, and advise the Independent Board Committee to recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to approve the S&P Agreement and the transaction contemplated thereunder at the EGM.

Yours faithfully,
For and on behalf of
Nuada Limited
Kevin Chan
Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

Financial Summary

Set out below is a summary of the audited consolidated results and assets and liabilities of the Group for each of the three years ended 30 June 2007, 2008 and 2009 as extracted from the respective published annual reports of the Company; and the unaudited interim consolidated results and assets and liabilities of the Group for the six months ended 31 December 2009 as extracted from the published interim report of the Company.

Details of the above financial information of the Group, together with the relevant notes, are disclosed in the annual reports of the Company for the years ended 30 June 2007 (pages 28 to 94), 2008 (pages 30 to 100) and 2009 (pages 27 to 100) respectively; and in the interim report of the Company for the six months ended 31 December 2009 (pages 1 to 12). The same information is published on the website of the Stock Exchange (www.hkex.com.hk). The auditors of the Group have not issued any qualified opinion on the Group's financial statements for the financial years ended 30 June 2007, 2008 and 2009.

Consolidated Income Statement

	Year ended 30 June			Six months ended 31 December	
	2009	**2008**	**2007**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000* (unaudited)
Revenue	3,178,420	2,894,984	2,552,044	1,563,790	1,488,500
Profit before taxation	25,733	102,058	85,717	4,637	25,526
Income tax	(13,816)	(15,788)	(8,839)	(4,112)	(4,676)
Profit for the year/period	11,917	86,270	76,878	525	20,850
Attributable to:					
Equity shareholders of the Company	11,067	82,423	80,592	1,226	20,346
Minority interests	850	3,847	(3,714)	(701)	504
	11,917	86,270	76,878	525	20,850
Dividend	–	–	12,734	–	–
	HK cents	*HK cents*	*HK cents*	*HK cents*	*HK cents*
Earnings per share					
– Basic	2.26	16.83	17.66	0.22	4.15
– Diluted	2.26	16.51	17.14	0.22	4.15

Consolidated Balance Sheet

	As at 30 June			As at 31 December	
	2009	**2008**	**2007**	**2009**	**2008**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	(unaudited)
Non-current assets	230,569	235,729	228,180	269,863	229,075
Current assets	2,301,639	2,115,613	1,880,139	2,458,885	2,390,479
Current liabilities	(1,824,765)	(1,654,745)	(1,545,928)	(1,895,062)	(1,902,450)
Non-current liabilities	–	–	–	(28,223)	–
Total equity	707,473	696,597	562,391	805,463	717,104
Attributable to:					
Equity shareholders of the Company	687,184	678,950	555,967	785,935	699,296
Minority interests	20,259	17,647	6,424	19,528	17,808
	707,443	696,597	562,391	805,463	717,104

2. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31 July 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding bank loans of approximately HK$660 million and convertible bonds of approximately HK$30 million.

Contingent liability

As at 31 July 2010, there was no guarantees given by the Enlarged Group in respect of banking facilities available to associates of the Enlarged Group.

Disclaimers

Save as aforesaid and apart from intra-Enlarged Group liabilities and normal trade payables in the ordinary course of business, the Enlarged Group did not have any bank borrowings, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures or other loan capital, mortgage, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities outstanding at the close of business on 31 July 2010.

3. WORKING CAPITAL SUFFICIENCY

The Directors are of the view that taking into account the Enlarged Group's present available internal resources and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for as least 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

In accordance to the Company's interim report for the six months ended 31 December 2009, the net profit attributable to equity holders of the Company was HK$1,226,000 (2008: HK$20,346,000). After excluding the impact of certain one-off non-cashflow items, the net profit was approximately HK$12,673,000 (2008: HK$21,621,000), representing a decrease of approximately 41% due to the economic downturn arising from the worldwide financial crisis occurred in the last quarter of 2008 and as a result a decrease in the overall gross profit margin. Save as aforesaid, the Directors confirm that there has been no material adverse change in the financial and trading position of the Group since 30 June 2009, the date to which the latest published audited financial statements were made up.

5. VALUATION OF THE PROPERTY INTEREST

To comply with the Listing Rules, LCH (Asia-Pacific) Surveyors Limited has been engaged to value the property interests of the Enlarged Group. Details of the property valuation report are set out in Appendix VI to this circular.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, CCIF, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix VII, a copy of the following accountants' report is available for inspection.

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

25 September 2010

The Directors
China Agrotech Holdings Limited

Dear Sirs

INTRODUCTION

We set out below our report on the financial information relating to Present Sino Limited ("Present Sino") and its subsidiaries (collectively, the "Present Sino Group") including the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for each of the period from 6 July 2009 (date of incorporation of Present Sino) to 31 December 2009 and the four months ended 30 April 2010 (the "Relevant periods") and the consolidated statement of financial position of the Present Sino Group and the statement of financial position of Present Sino as at 31 December 2009 and 30 April 2010 and the notes thereto (the "Financial Information") for inclusion in the circular of China Agrotech Holdings Limited (the "Company") dated 25 September 2010 (the "Circular") in connection with the proposed acquisition of Present Sino (the "Acquisition") as described more fully in the section headed "Letter from the Board" contained in the Circular.

Present Sino was incorporated in the British Virgin Islands on 6 July 2009 as a company with limited liability under the BVI Business Companies Act, 2004 of the British Virgin Islands, and save for the acquisition of subsidiary as set out in the paragraph below on 6 January 2010, it has not carried on any business since the date of its incorporation. Pursuant to the sale and purchase agreements dated 7 December 2009 entered into between Sky Link International Limited ("Sky Link"), a wholly owned subsidiary of Present Sino and each of Mr. Xue Zhixin and Mr. Liu Zhenjiang, Sky Link acquired from Mr. Xue Zhixin and Mr. Liu Zhenjiang of 95% and 5% equity interest in Shanxi Astro-Wood Bio-Engineering Development Company Limited ("Astro-Wood") respectively.

Present Sino is an investment holding company and as at the date of this report, Present Sino had direct and indirect equity interest in the following subsidiaries:

Name of company	Place and date of incorporation/ establishment	Issued and fully paid/registered and paid-up capital	Proportion of equity interest attributable to Present Sino		Principal activities
			Directly	Indirectly	
Sky Link International Limited	Hong Kong 12 August 2009	Authorised, issued and fully paid of HK$10,000	100%	—	Investment holding
Shanxi Astro-Wood Bio-Engineering Development Co., Ltd. #	The People's Republic of China (the "PRC") 24 February 2009	Registered and paid-up capital of RMB160,000,000	—	100%	Research and development, nursing, planting and sales of landscaping seedlings

\# Registered under the laws of the PRC as wholly-foreign-owned enterprise.

No audited financial statements have been prepared for Present Sino and Astro-Wood since its date of incorporation as there is no such statutory requirement. No audited financial statements have been prepared for Sky Link as its first statutory financial statements which cover the period from its date of incorporation to 31 December 2010 are not due to be issued.

All the companies comprising the Present Sino Group have adopted 31 December as their financial year end date.

For the purposes of this report, the director of Present Sino has prepared the consolidated financial statements of the Present Sino Group in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Periods (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements for the Relevant Periods in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information as set out in this report has been prepared based on the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements is the responsibility of the director of the Present Sino. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Present Sino and of the Present Sino Group as at 31 December 2009 and 30 April 2010 and of the results and cash flows of the Present Sino Group for the Relevant Periods.

A. FINANCIAL INFORMATION

1. CONSOLIDATED INCOME STATEMENT

(Express in Hong Kong dollars)

	Note	**1/1/2010 to 30/4/2010** *HK$'000*	**6/7/2009 to 31/12/2009** *HK$'000*
Turnover	*2*	66,956	–
Cost of sales		(33,928)	–
Gross profit		33,028	–
Selling and distribution expenses		–	–
Administrative expenses		(1,575)	(37)
Release of negative goodwill	*19*	223,334	–
Gain arising from changes in fair value less costs to sell of biological assets	*11*	772,199	–
Profit/(loss) before taxation	*3*	1,026,986	(37)
Taxation	*4*	–	–
Profit/(loss) for the period		1,026,986	(37)
Attributable to:			
Equity owners of Present Sino		1,026,986	(37)

The accompanying notes form part of the financial statements.

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Express in Hong Kong dollars)

	1/1/2010 to 30/4/2010	6/7/2009 to 31/12/2009
	HK$'000	*HK$'000*
Profit/(loss) for the period	1,026,986	(37)
Other comprehensive income for the period (net of tax)		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	358	–
Total comprehensive income for the period	1,027,344	(37)
Attributable to		
Equity owners of Present Sino	1,027,344	(37)

The accompanying notes form part of the financial statements.

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Express in Hong Kong dollars)

	Note	30/4/2010 HK$'000	31/12/2009 HK$'000
Non-current assets			
Property, plant and equipment	10	7,313	–
Prepayment – long term portion		477	–
Biological assets	11	1,095,990	–
		1,103,780	–
Current assets			
Trade and other receivables	13	51,513	–
Cash and cash equivalents	14	3,101	4,498
		54,614	4,498
Current liabilities			
Trade and other payables	15	(130,699)	(4,147)
Net current (liabilities)/assets		(76,085)	351
NET ASSETS		1,027,695	351
CAPITAL AND RESERVES	17		
Share capital		388	388
Reserves		1,027,307	(37)
TOTAL EQUITY		1,027,695	351

The accompanying notes form part of the financial statements.

4. STATEMENT OF FINANCIAL POSITION

(Express in Hong Kong dollars)

	Note	30/4/2010 HK$'000	31/12/2009 HK$'000
Non-current assets			
Investments in subsidiaries	12	91,102	10
Current assets			
Other receivables	13	–	386
Cash and cash equivalents	14	3	–
		3	386
Current liabilities			
Other payable	15	(90,750)	(17)
NET ASSETS		355	379
CAPITAL AND RESERVES	17		
Share capital		388	388
Reserves		(33)	(9)
TOTAL EQUITY		355	379

The accompanying notes form part of the financial statements.

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Express in Hong Kong dollars)

		Attributable to equity owners of Present Sino			
	Note	**Share capital**	**Exchange reserve**	**Retained profits**	**Total**
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 6 July 2009		–	–	–	–
Issue of new ordinary shares	*17(c)*	388	–	–	388
Total comprehensive income for the period		–	–	(37)	(37)
At 31 December 2009 and 1 January 2010		388	–	(37)	351
Total comprehensive income for the period		–	358	1,026,986	1,027,344
At 30 April 2010		388	358	1,026,949	1,027,695

The accompanying notes form part of the Financial Information.

6. CONSOLIDATED STATEMENT OF CASH FLOWS

(Express in Hong Kong dollars)

	Note	1/1/2010 to 30/4/2010 HK$'000	6/7/2009 to 31/12/2009 HK$'000
OPERATING ACTIVITIES			
Profit/(loss) before taxation		1,026,986	(37)
Adjustment for:			
Depreciation	10	250	–
Changes in fair value less costs to sell of biological assets	11	(772,199)	–
Release of negative goodwill	19	(223,334)	–
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL		31,703	(37)
Decrease in biological assets through harvest during the period		33,928	–
Increase in trade and other receivables		(50,774)	–
Increase in trade and other payables		93,932	4,147
		77,086	4,147
NET CASH GENERATED FROM OPERATING ACTIVITIES		108,789	4,110
INVESTING ACTIVITIES			
Payment for purchases of property, plant and equipment		(980)	–
Capital expenditure in biological assets		(18,515)	–
Acquisition of subsidiary		(90,691)	–
NET CASH USED IN INVESTING ACTIVITIES		(110,186)	–

	Note	1/1/2010 to 30/4/2010 HK$'000	6/7/2009 to 31/12/2009 HK$'000
FINANCING ACTIVITIES			
Issue of ordinary shares		–	388
NET CASH GENERATED FROM FINANCING ACTIVITIES		–	388
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,397)	4,498
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	*14*	4,498	–
CASH AND CASH EQUIVALENTS AT THE ENDING OF PERIOD	*14*	3,101	4,498

The accompanying notes form part of the financial statements.

B. NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Present Sino Group is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Present Sino Group. The adoption of these new and revised HKFRSs did not result in significant change to the Present Sino Group's accounting policies applied on these financial statements for the current and prior year presented. The Present Sino group has not applied any new and revised standard or interpretation that are not yet effective for the current accounting year (see note 25).

b) Basis of preparation of the financial statements

The consolidated financial statements for the period ended 30 April 2010 and period ended 31 December 2009 comprise Present Sino and its subsidiaries.

Items included in the financial statements of each entity in the Present Sino Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity. These financial statements are presented in Hong Kong dollars ("HKD"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the biological assets (see note 1(g)) are stated at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 23.

c) Subsidiaries and minority interest

Subsidiaries are entities controlled by the Present Sino Group. Control exists when the Present Sino Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by Present Sino, whether directly or indirectly through subsidiaries, and in respect of which the Present Sino Group has not agreed any additional terms with the holders of those interests which would result in the Present Sino Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of Present Sino. Minority interests in the results of the Present Sino Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the owners of Present Sino.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Present Sino Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Present Sino Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Present Sino Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position depending on the nature of the liability.

In Present Sino's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 1(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Present Sino Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 1(h)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Present Sino Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in income statement.

On disposal of a cash generating unit or an associate during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

e) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 1(h)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	5 – 10 years
Plantation infrastructure	5-10 years
Furniture, fixtures and office equipment	3 – 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Present Sino Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

i) Classification of assets leased to the Present Sino Group

Assets held by Present Sino Group under leases which transfer to the Present Sino Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Present Sino Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Present Sino Group, or taken over from the previous lessee.

ii) Assets acquired under finance leases

Where the Present Sino Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely Present Sino or the Present Sino Group will obtain ownership of the asset, the life of the asset, as set out in note 1(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

iii) Operating lease charges

Where the Present Sino Group has the use of assets under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

g) Biological assets

Biological assets comprise forest crop in PRC.

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets and agricultural produce are measured at fair value less costs to sell at initial recognition and at each reporting date. Costs to sell are the incremental costs directly attributable to the disposal of an asset.

The fair value of biological assets is determined independently by professional valuers.

h) Impairment of assets

i) Impairment of receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Present Sino Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Present Sino Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in income statement.

ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(h)).

j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Present Sino Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

k) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

l) Employee benefits

i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirements plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

ii) Termination benefits

Termination benefits are recognised when, and only when, the Present Sino Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

m) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Present Sino Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Present Sino or the Present Sino Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, Present Sino or the Present Sino Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Present Sino Group or Present Sino has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Present Sino Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

p) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

q) Related parties

For the purpose of these financial statements, parties are considered to be related to the Present Sino Group if:

i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Present Sino Group or exercise significant influence over the Present Sino Group in making financial and operating policy decisions, or has joint control over the Present Sino Group;

ii) the Present Sino Group and the party are subject to common control;

iii) the party is an associate of the Present Sino Group or a joint venture in which the Present Sino Group is a venturer;

iv) the party is a member of key management personnel of the Present Sino Group or the Present Sino Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

vi) the party is a post-employment benefit plan which is for the benefit of employees of the Present Sino Group or of any entity that is a related party of the Present Sino Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

r) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Present Sino Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Present Sino Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, ant the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. TURNOVER

Present Sino was incorporated in the British Virgin Islands on 6 July 2009 as a company with limited liability. The address of the registered office of Present Sino is P. O. Box 957, Offshore Incorporation Centre, Road Town, Tortola, British Virgin Islands.

The Present Sino Group is principally engaged in the research and development, nursing, planting and sales of landscaping seedling.

	1/1/2010 to 30/4/2010	**6/7/2009 to 31/12/2009**
	HK$'000	*HK$'000*
Sales of landscaping seedling	66,956	–

3. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is arrived at after charging:

	1/1/2010 to 30/4/2010	**6/7/2009 to 31/12/2009**
	HK$'000	*HK$'000*
Depreciation	250	–
Value of inventories	33,928	–
Operating lease charges for premises:		
– Minimum lease payment	389	–
Staff costs including:		
– Retirement benefit scheme contributions	6	–
– Salaries, allowances and other benefit	697	–

4. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), the Present Sino Group is not subject to any income tax in the BVI.

b) The provisions for Hong Kong Profits Tax for the period ended 30 April 2010 and period ended 31 December 2009 were calculated at 16.5% on the estimated assessable profits of each period. No provision for Hong Kong Profits Tax has been made as the Present Sino Group did not have assessable profits subject to Hong Kong Profits Tax during the periods ended 30 April 2010 and 31 December 2009.

c) Under the PRC tax law, the Enterprise Income Tax rate of the PRC was 25% for the period ended 30 April 2010 and period ended 31 December 2009. Pursuant to section 27 of the PRC tax law and section 86 of the Implementation Regulations of the PRC tax law, the entity's income derived from forestry business is exempt from Enterprise Income Tax.

d) Pursuant to the new PRC Corporate Income Tax Law which took effect from 1 January 2008, a 10% withholding tax was levied on dividends declared to foreign enterprise investors from the PRC. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC and the jurisdiction of the foreign enterprise investors.

   On 22 February 2008, Caishui (2008) No. 1 was promulgated by the PRC tax authorities to specify that dividends declared and remitted out of the PRC from the retained earnings as at 31 December 2007 determined based on the relevant PRC tax laws and regulations are exempted from the withholding tax.

As at 30 April 2010 and 31 December 2009, deferred tax liabilities of HK$3,673,000 and HK$Nil respectively have not been recognized, as Present Sino controls the dividend policy of these subsidiaries and it has been determined that it is probable that certain of the profits earned by the Present Sino Group's PRC subsidiary will not be distributed in the foreseeable future.

e) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	1/1/2010 to 30/4/2010	**6/7/2009 to 31/12/2009**
	HK$'000	*HK$'000*
Profit/(loss) before taxation	1,026,986	(37)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	256,747	(7)
Tax effect of non-taxable income	(193,050)	–
Tax effect of tax concession	(63,697)	–
Tax effect of unused tax losses not recognised	–	7
Actual tax expense	–	–

5. DIRECTOR'S REMUNERATION

Director's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the period ended 30 April 2010

Name of director	**Directors' fees**	**Salaries allowances and benefit in kind**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Wu Shaoning	–	–	–	–	–

For the period ended 31 December 2009

Name of director	**Directors' fees**	**Salaries allowances and benefit in kind**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive director					
Mr. Wu Shaoning	–	–	–	–	–

No directors waived any remuneration during the periods ended 30 April 2010 and 31 December 2009. No inducement payments to join or upon joining the Present Sino or as compensation for loss of office was paid or payable to any director for the two periods ended 30 April 2010 and 31 December 2009.

6. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the period, the five highest paid individuals included Nil (2009: Nil) director, details of whose emoluments are set out in note 5 above. The emoluments of the five (2009: five) individuals are as follows:

	1/1/2010 to 30/4/2010 *HK$'000*	**6/7/2009 to 31/12/2009** *HK$'000*
Salaries and other benefits	122	–
Contributions to retirement benefits schemes	–	–
	122	–

Their emoluments were all within HK$1,000,000.

7. PROFIT ATTRIBUTABLE TO OWNERS OF PRESENT SINO

The net profit from ordinary activities attributable to owners of the Company for the period ended 30 April 2010 includes loss of approximately HK$24,000 (2009: HK$9,000) which has been dealt with in the financial statements of Present Sino.

8. DIVIDENDS

The director of Present Sino do not recommend the payment of a dividend for the period ended 30 April 2010 and period ended 31 December 2009.

9. SEGMENT REPORTING

a) The director considers that the Present Sino Group operates in a single business and geographical segment as the revenue and profit are derived entirely from the sales of landscaping seedling in the PRC. Accordingly, no segmental analysis is presented.

b) Information about major customers

The Present Sino Group's customer base includes two customers from whom the Present Sino Group derived more than 10% of its total revenues in the period ended 30 April 2010 (2009: Nil). During the period ended 30 April 2010, revenue from each of these two customers amounted to approximately HK$37 million and HK$25 million, respectively.

10. PROPERTY, PLANT AND EQUIPMENT

The Present Sino Group

	Buildings	Plantation infrastruction	Furniture, fixtures, and office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 6 July 2009, 31 December 2009 and 1 January 2010	–	–	–	–	–
Acquired on acquisition of subsidiaries	351	5,864	126	507	6,848
Exchange adjustments	–	7	–	1	8
Additions	–	–	136	844	980
At 30 April 2010	351	5,871	262	1,352	7,836
Accumulated depreciation					
At 6 July 2009, 31 December 2009 and 1 January 2010	–	–	–	–	–
Acquired on acquisition of subsidiaries	12	193	12	56	273
Charge for the period	11	195	10	34	250
At 30 April 2010	23	388	22	90	523
Carrying amount					
At 30 April 2010	328	5,483	240	1,262	7,313
At 31 December 2009	–	–	–	–	–

11. BIOLOGICAL ASSETS

	The Present Sino Group	
	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
At the beginning of period	–	
Acquisition through business combination	327,369	–
Additions through purchases *(note (i))*	29,977	–
Harvested during the period	(33,928)	–
Gain arising from changes in fair value less costs to sell of biological assets *(note (ii))*	772,199	–
Exchange adjustments	373	–
At the end of period	1,095,990	–

The analysis of fair value of biological assets by location is as follows:

	The Present Sino Group	
	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Shanxi	1,085,063	–
Beijing	10,927	–
	1,095,990	–

Notes:

(i) The additions through purchases represent the considerations paid for the acquisitions of biological assets and the value of tree saplings planted during the period. The consideration of individual acquisition is agreed on a negotiation basis.

(ii) Changes in fair value less costs to sell include changes upon initial acquisition of the biological assets and changes during the period.

The changes in fair value less costs to sell upon initial acquisition of the biological assets represent the difference between the acquisition cost and the value of the new plantation assets at the date of acquisition.

The changes in fair value less costs to sell during the period represent the aggregate of the difference between the value of the existing biological assets as of the beginning and end of the financial period and the difference between the value of the new biological assets as of the second day of acquisition and end of the financial period.

The Present Sino Group's biological assets represented tree species including Lacebark Pine, Platycladus orientalis, Zizyphus jujube and Acer truncatum bunge located at Shanxi Province and Beijing of the PRC (the "Tree Species"). The Tree Species are used for ornamental plant and also for greenery purposes. The major customers of these species including landscaping companies, construction companies and government departments. As at 30 April 2010, the total areas of the Tree Species is approximately 21,456 Chinese Mu.

The Present Sino Group's biological assets in the PRC were independently valued by LCH (Asia-Pacific) Surveyors Limited.

In valuing the Tree Species, the valuer has considered three different valuation approaches with reference to the biological assets as well as the applicable accounting standard, and found that market approach i.e. the market-based comparable method is the most appropriate approach to value. This method uses the present market value in terms of price per tree as basis for coming up with the estimated value. The underlying theory of this approach is existing market price is dependable parameter since it reflects the amount buyer is willing to pay and the amount seller is willing to give up.

The principal valuation methodology and assumptions adopted are as follows:

- That the end product or the market being assessed are for trees;

- The total number of each tree species considered in the valuation is based on the survey report prepared by a governmental body which is responsible for policy planning, management and monitoring, research and development, survey and inspection, investigation and patrol of the local forestry resources, wood production and trading activities of Taiyuan City. Officials of national professional qualifications perform site survey and inspection covering the whole forestry and woodland areas of Taiyuan City.;

- The prices for each species are homogenous and the average price for each species was as basis;

- The Tree Species are valued on the basis of market value in continued use and as part of a going-concern business;
- Market value in continued use is not intended to represent the amount that might be realised from piecemeal or break-up disposition in the open market or for other alternate use;
- No allowance has been made in the valuation for any charges, mortgages, outstanding premium or amounts owing on the Tree Species;
- No allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Tree Species;

In valuing several species planted or purchased recently, the valuer has adopted the cost approach due to little biological transformation that has taken place from the time planted or purchase to the date of valuation and the impact of the biological transformation on the price of the saplings is not material based on the planned rotation of the tree. In using the cost approach, the valuer has adopted the costs incurred as at the date of valuation as well as units costs since the independent research indicates that the unit costs are within reasonable range for the type of saplings being planted, purchased, terrain and locality. Costs included in the valuation comprise sapling cost, land rental, management cost, planting cost and fertilizer cost. As at 30 April 2010, the value of respective Tree Species is approximately HK$2,235,000.

12. INVESTMENTS IN SUBSIDIARIES

	Present Sino	
	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
United shares, at cost	10	10
Amount due from a subsidiary	91,092	–
	91,102	10

Note:

1. Amount due from a subsidiary is unsecured, interest free and is not expected to be recovered within one year.

The following are details of Present Sino's subsidiaries which principally affected the result, assets or liabilities of the Present Sino's Group. The class of shares held is ordinary shares unless otherwise stated.

			Percentage of issued share capital		
Name of subsidiary	Place of incorporation/ operation	Paid-up capital	held by Present Sino/ subsidiaries	attributable to the Present Sino Group	Principal activities
Sky Link International Limited	Hong Kong	HK$10,000	100%	100%	Investment holding
Shanxi Astro-Wood Bio-Engineering Development Co., Ltd. #	PRC	RMB160,000,000	100%	100%	Research and development, nursing, planting and sales of landscaping seedlings

\# Registered under the laws of the PRC as wholly-foreign-owned enterprise.

13. TRADE AND OTHER RECEIVABLES

	The Present Sino Group		Present Sino	
	30/4/2010	**31/12/2009**	**30/4/2010**	**31/12/2009**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	50,207	–	–	–
Less: allowance for doubtful debts	–	–	–	–
Loans and receivables	50,207	–	–	–
Prepayments and deposits	1,306	–	–	–
	51,513	–	–	–

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

a) Age analysis

Trade receivables are net of allowance for doubtful debts of HK$Nil (2009: HK$Nil) with the following age analysis as of the end of the reporting period:

	The Present Sino Group	
	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Within credit period	50,207	–

Trade receivables are due within 30-180 days from the date of billing. Further details on the Present Sino credit policy are set out in note 18(a).

b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Present Sino Group	
	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Neither past due nor impaired	50,207	–

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	30/4/2010	31/12/2009	30/4/2010	31/12/2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hong Kong dollars	32	3	3	–
Renminbi	3,069	–	–	–
United States dollars	–	4,495	–	–
	3,101	4,498	3	–

Cash and deposits with banks of HK$3,069,000 (2009: HK$Nil) are denominated in Renminbi, which is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange control imposed by the PRC government.

Deposits with banks are interest bearing at the prevailing market rates.

15. TRADE AND OTHER PAYABLES

	The Present Sino Group		Present Sino	
	30/4/2010	31/12/2009	30/4/2010	31/12/2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade payables *(note (a))*	20,151	–	–	–
Accruals and other payables	6,284	7	16	7
Receipts in advance	136	–	–	–
Amount due to a director *(note (b))*	94,223	4,140	90,734	–
Amount due to a subsidiary *(note (c))*	–	–	–	10
Amounts due to related companies *(note 16)*	9,905	–	–	–
Financial liabilities measured at amortised cost	130,699	4,147	90,750	17

a) Trade payables

As ageing analysis of trade payables as at the end of the reporting period is as follows:

	The Present Sino Group		Present Sino	
	30/4/2010	31/12/2009	30/4/2010	31/12/2009
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due within 1 month or on demand	20,100	–	–	–
Due after 1 month but within 2 months	–	–	–	–
Due after 2 months but within 3 months	3	–	–	–
Due after 3 months but within 6 months	3	–	–	–
Due after 6 months	45	–	–	–
	20,151	–	–	–

b) The amount is unsecured, interest-free and after the balance sheet date, the amount of HK$91,120,000 was capitalised and 32,000 shares allotted to a director.

(c) The amount is unsecured, interest-free and has no fixed terms of repayment.

d) All of the trade and other payables are expected to be settled within one year.

16. AMOUNTS DUE TO RELATED COMPANIES

	30/4/2010	31/12/2009
	HK$'000	*HK$'000*
Taiyuan Renlong Enterprise Development Group Co., Ltd. ("Taiyuan Renlong") *(note (i))*	8,438	–
Taiyuan Sanyuandeng Modern Agriculture Development Co., Ltd. ("Taiyuan Sanyuandeng") *(note (ii))*	1,467	–
	9,905	–

(i) The amount due to Taiyuan Renlong is unsecured, interest-free and has no fixed terms of repayment. The director of Taiyuan Renlong, Mr. Xue Zhixin, is a director of Astro-Wood.

(ii) The amount due to Taiyuan Sanyuandeng is unsecured, interest-free and has no fixed terms of repayment. The director of Taiyuan Sanyuandeng, Mr. Xue Zhixin, is a director of Astro-Wood.

17. CAPITAL AND RESERVES

a) The Present Sino Group

	Share capital	Exchange reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 6 July 2009	–	–	–	–
Issue of new ordinary shares	388	–	–	388
Total comprehensive income for the period	–	–	(37)	(37)
At 31 December 2009 and 1 January 2010	388	–	(37)	351
Total comprehensive income for the period	–	358	1,026,986	1,027,344
At 30 April 2010	388	358	1,026,949	1,027,695

b) Present Sino

	Issued capital	Retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*
At 6 July 2009	–	–	–
Issued of new ordinary shares	388	–	388
Loss for the period	–	(9)	(9)
At 31 December 2009 and 1 January 2010	388	(9)	379
Loss for the period	–	(24)	(24)
At 30 April 2010	388	(33)	355

c) Share capital

	Note	**No. of shares**	**Value**
			HK$
Authorised:			
At 30 April 2010 and 31 December 2009			
ordinary shares at US$1 each		50,000	387,500
Issued and fully paid:			
At 6 July 2009			
Allotment of new ordinary shares			
at US$1	*(i)*	50,000	387,500
At 31 December 2009 and 30 April 2010			
ordinary shares		50,000	387,500

i) On 6 July 2009, 50,000 ordinary shares at US$1 each were issued. The proceeds were used as working capital for the Present Sino Group.

d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(q).

e) Capital management

The Present Sino Group's primary objectives when managing capital are to safeguard the Present Sino Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optional balance between debt and equity. The Present Sino Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Present Sino Group consists of debts, cash and cash equivalents and equity attributable to owners of the Present Sino (which comprises issued share capital and reserves).

The director of the Present Sino Group reviews the capital structure on a regular basis. The Present Sino Group will balance their overall capital structure through the raising fund from shareholders. Neither Present Sino nor its subsidiaries are subject to externally imposed capital requirements.

18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is of fundamental importance to the business operation of the Present Sino Group. The major types of risk inherent in the Present Sino Group's business are credit risk, liquidity risk, interest rate risk, foreign currency risk and natural risk. The Present Sino Group's risk management objective is to maximise shareholder's value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

(a) Credit risk

Credit risk is the risk of financial loss to the Present Sino Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Present Sino Group's trade and other receivables and deposits with banks.

The Present Sino Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within one to six months from the date of billing. Normally, the Present Sino Group does not obtain collateral from customers. The impairment losses on bad and doubtful debts account are within management's expectation.

The Present Sino Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the ended of reporting period, the Present Sino Group had certain concentration risk as 55% and 100% of the total trade receivables was due from the Present Sino Group's largest customer and the five largest customers, respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. The Present Sino Group does not provide any other guarantees which would expose the Present Sino Group to credit risk.

Further quantitative disclosures in respect of the Present Sino Group's exposure to credit risk arising from trade and other receivables are set out in note 13.

The Present Sino Group limits its exposure to credit risk by placing deposits with financial institutions with no recent history of default. Management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Liquidity risk is the risk that the Present Sino Group will not be able to meet its financial obligations as they fall due. The Present Sino Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Present Sino Group's reputation.

The Present Sino Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities. The Present Sino Group mainly relies on internal generated funds.

(c) Interest rate risk

The Present Sino Group has not borrowed any loans from banks or other parties and invested in any interest bearing securities. Furthermore, the Present Sino Group has no significant interest-bearing assets (other than bank deposits) and interest income from bank deposits are not significant. The risk arising from unexpected adverse interest rate movements is considered insignificant.

(d) Currency risk

The Present Sino Group has certain investment in foreign operations, whose net assets are exposed to foreign currency translation risk.

At 30 April 2010, if Hong Kong dollars had weakended/strengthened by 5% (2009: 5%) against Renminbi with all other variables held constant, there would be no material effect on profit for the year, but equity would have been approximately HK$55.9 million (2009: Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations. 5% is sensitivity rate used which represents management's assessment of reasonably possible changes in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for a 5% change in foreign currency rate.

(e) Natural risk

Present Sino Group's revenue depends significantly on the ability to harvest at adequate levels. The ability to harvest and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting or the growth of the trees in the forests.

(f) Fair value

All financial assets and liabilities are stated at fair value or carried at amounts not materially different from their fair values as at the end of each reporting period.

19. BUSINESS COMBINATION

On 6 January 2010, the Present Sino Group acquired 100% of the registered capital of Shanxi Astro-Wood Bio-Engineering Development Co., Ltd., engaged in the research and development, nursing, planting and sales of landscaping seedlings, for a consideration of RMB80,000,000 (equivalent to HK$91,120,000), which gave rise to a negative goodwill amounted to HK$223,334,000.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration:	
– Cash consideration	91,120
Fair value of net assets acquired – shown as below	(314,454)
Negative goodwill arising on the acquisition	223,334

The fair value of asset required and liabilities assured as of 6 January 2010 arising from the acquisition are as follows:

	HK$'000
Property, plant and equipment	6,575
Biological assets	327,369
Trade and other receivable	1,216
Cash and cash equivalents	429
Trade and other payable	(21,135)
Fair value of net assets acquired	314,454

Analysis of net cash outflow of cash and cash equivalents in respect of acquisition of subsidiary:

	HK$'000
Cash consideration	91,120
Less: Cash of the subsidiary acquired	429
	90,691

20. RETIREMENT BENEFIT SCHEMES

a) The Present Sino Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme managed by an independent approved MPF Scheme trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

b) Pursuant to the relevant labour rules and regulations in the PRC, the PRC subsidiary of the Present Sino Group participate in a defined contribution retirement plan (the "Plan") organized by the local government authorities whereby the subsidiary is required to contribute to the Plan to fund the retirement benefits of the eligible employees. Contributions made to the Plan are calculated at a specified percentage of the basic salaries of the eligible employees. The local government authorities are responsible for the entire pension obligations payable to the retired employees. The Present Sino Group is not liable to any retirement benefits payment in the PRC beyond the contributions to the Plan.

The Present Sino Group does not operate any other scheme for retirement benefits of the Present Sino Group's employees.

21. OPERATING LEASE COMMITMENTS

At 30 April 2010 and 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Within one year	1,602	–
In the second to fifth years, inclusive	5,589	–
Over five years	36,952	–
	44,143	–

22. RELATED PARTY TRANSACTIONS

a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Present Sino's director as disclosed in note 5 and certain of the highest paid employees as disclosed in note 6, is as follows:

	1/1/2010 to 30/4/2010	**6/7/2009 to 31/12/2009**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	122	–
Retirement scheme contributions	–	–
	122	–

Total remuneration is included in "staff costs" (see note 3).

b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Present Sino Group entered into the following related party transactions.

Purchase of landscape seedlings from a related company

During the period ended 30 April 2010, the Present Sino Group acquired biological assets from Taiyuan Sanyuandeng Modern Agriculture Development Co., Ltd. ("Taiyuan Sanyuandeng") amounting to approximately HK$1,468,000 (equivalent to approximately RMB1,290,000) under the similar terms as traded with other parties. In the opinion of the directors, the transaction was carried out in the ordinary course of business and on normal commercial terms.

The director and shareholder of Taiyuan Sanyuandeng, Mr. Xue Zhixin is the director of the Astro-Wood.

23. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Present Sino Group made estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

a) Fair values of biological assets

Management estimates at the end of the reporting date the fair values less costs to sell of biological assets with reference to market prices and professional valuations. Management considers that these are presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value remeasurement losses in future accounting periods.

b) Useful lives of property, plant and equipment

The Present Sino Group's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

c) Income taxes

The Present Sino Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Present Sino Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

d) Estimated impairment of assets

The Present Sino Group's management tests annually whether assets (including goodwill and biological assets) have suffered any impairment, in accordance with the accounting policy stated in note 1(h). The recoverable amounts of cash-generated units have been determined based on value-in-use calculations. These calculations require the use of estimates. Management has not identified any indications that the goodwill and biological assets have or would have suffered any impairment at the balance sheet date.

e) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Present Sino Group for similar financial instruments.

24. NON ADJUSTING POST BALANCE SHEET EVENTS

(a) After the balance sheet date, on 1 May 2010, the Company allotted 18,000 shares to a general manager of the company as the remuneration for the services received. The fair value of services received in return for shares granted is measured by reference to the fair value of shares granted. The fair value of approximately HK$40,264,000 is recognised as an employee cost with a corresponding increase in a capital and capital reserve within equity. The valuation was carried out by an independent qualified professional valuation firm not connected with the Present Sino Group.

(b) After the balance sheet date, the Company allotted 32,000 shares to Mr. Wu Shaoning, a shareholder of the Company, to capitalise a shareholder's loan of HK$91,120,000.

25. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 APRIL 2010 AND 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the period ended 30 April 2009 and 31 December 2009.

The Present Sino Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[1]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 January 2011.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2013.

The director of Present Sino anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Present Sino in respect of any period subsequent to 30 April 2010.

Yours faithfully

CCIF CPA Limited
Certified Public Accountants
Hong Kong

Betty P.C. Tse
Practising Certificate Number P03024

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, CCIF, Certified Public Accountants, Hong Kong. As described in the section headed "Documents available for inspection" in Appendix VII, a copy of the following accountants' report is available for inspection.

CCIF

CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

25 September 2010

The Directors
China Agrotech Holdings Limited

Dear Sirs

INTRODUCTION

We set out below our report on the financial information relating to Shanxi Astro-Wood Bio-Engineering Development Co., Ltd ("Astro-Wood") including the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for each of the period from 24 February 2009 (date of incorporation of Astro-Wood) to 31 December 2009 and the four months ended 30 April 2010 (the "Relevant Periods") and the statement of financial position of Astro-Wood as at 31 December 2009 and 30 April 2010 and the notes thereto (the "Financial Information") for inclusion in the circular of China Agrotech Holdings Limited (the "Company") dated 25 September 2010 (the "Circular") in connection with the proposed acquisition of Present Sino Limited (the "Acquisition") as described more fully in the section headed "Letter from the Board" contained in the Circular.

Astro-Wood was established in the People's Republic of China (the "PRC") on 24 February 2009 as a company with limited liability under the laws of the PRC, and it is principally engaged in the research and development, nursing, planting and sales of landscaping seedlings.

No audited financial statements have been prepared for Astro-Wood since its date of incorporation as there is no such statutory requirement.

For the purposes of this report, the directors of Astro-Wood has prepared the financial statements of Astro-Wood in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the Relevant Periods (the "Underlying Financial Statements"). We have undertaken an independent audit of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements for the Relevant Periods in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information as set out in this report has been prepared based on the Underlying Financial Statements. No adjustments were considered necessary to adjust the Underlying Financial Statements in preparing our report for inclusion in the Circular.

The preparation of the Underlying Financial Statements is the responsibility of the directors of Astro-Wood. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information, for the purpose of this report, gives a true and fair view of the state of affairs of Astro-Wood as at 31 December 2009 and 30 April 2010 and of the results and cash flows of Astro-Wood for the Relevant Periods.

A. FINANCIAL INFORMATION

1. INCOME STATEMENT

(Express in Hong Kong dollars)

	Note	1/1/2010 to 30/4/2010 HK$'000	24/2/2009 to 31/12/2009 HK$'000
Turnover	2	66,956	–
Cost of sales		(33,928)	–
Gross profit		33,028	–
Over revenue	2	–	4
Administrative expenses		(1,550)	(2,717)
Gain arising from changes in fair value less costs to sell of biological assets	10	772,199	18,675
Profit before taxation	3	803,677	15,962
Taxation	4	–	–
Profit for the period		803,677	15,962
Attributable to:			
Equity owners of Astro-Wood		803,677	15,962

The accompanying notes form part of the financial statements.

2. STATEMENT OF COMPREHENSIVE INCOME

(Express in Hong Kong dollars)

	1/1/2010 to 30/4/2010	24/2/2009 to 31/12/2009
	HK$'000	*HK$'000*
Profit for the period	803,677	15,962
Other comprehensive income for the period (net of tax)		
Foreign currency translation differences, net of nil tax	358	–
Total comprehensive income for the period	804,035	15,962
Attributable to:		
Equity owners of Astro-Wood	804,035	15,962

The accompanying notes form part of the financial statements.

3. STATEMENT OF FINANCIAL POSITION

(Express in Hong Kong dollars)

	Note	30/4/2010	31/12/2009
		HK$'000	HK$'000
Non-current assets			
Property, plant and equipment	9	7,313	6,575
Prepayment – long term portion		477	492
Biological assets	10	1,095,990	327,369
		1,103,780	334,436
Current assets			
Trade and other receivables	11	51,513	724
Cash and cash equivalents	12	3,069	429
		54,582	1,153
Current liabilities			
Trade and other payables	13	(39,873)	(21,135)
Net current assets/(liabilities)		14,709	(19,982)
NET ASSETS		1,118,489	314,454
CAPITAL AND RESERVES	15		
Paid-in-capital		181,818	181,818
Reserves		936,671	132,636
TOTAL EQUITY		1,118,489	314,454

The accompanying notes form part of the financial statements.

4. STATEMENT OF CHANGES IN EQUITY

(Express in Hong Kong dollars)

		Attributable to equity owners of Astro-Wood				
		Paid-in capital	**Capital reserve**	**Exchange reserve**	**Retained profits**	**Total**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 24 February 2009		–	–	–	–	–
Increase in share capital	*15*	181,818	116,674	–	–	298,492
Total comprehensive income for the period		–	–	–	15,962	15,962
At 31 December 2009 and 1 January 2010		181,818	116,674	–	15,962	314,454
Total comprehensive income for the period		–	–	358	803,677	804,035
At 30 April 2010		181,818	116,674	358	819,639	1,118,489

The accompanying notes form part of the Financial Information.

5. STATEMENT OF CASH FLOWS

(Express in Hong Kong dollars)

	Note	1/1/2010 to 30/4/2010 HK$'000	24/2/2009 to 31/12/2009 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		803,677	15,962
Adjustments for:			
Interest income	2	–	(4)
Depreciation	9	250	273
Changes in fair value less costs to sell of biological assets	10	(772,199)	(18,675)
OPERATING PROFIT/(LOSS) BEFORE CHANGES IN WORKING CAPITAL		31,728	(2,444)
Decrease in biological assets through harvest during the period		33,928	–
Increase in trade and other receivables		(50,774)	(1,216)
Increase in trade and other payable		7,253	2,560
		(9,593)	1,344
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		22,135	(1,100)
INVESTING ACTIVITIES			
Payment for purchases of property, plant and equipment		(980)	(6,848)
Capital expenditure in biological assets		(18,515)	(54,127)
Interest received		–	4
NET CASH USED IN INVESTING ACTIVITIES		(19,495)	(60,971)

	Note	1/1/2010 to 30/4/2010 HK$'000	24/2/2009 to 31/12/2009 HK$'000
FINANCING ACTIVITIES			
Increase in share capital			
– cash injection		–	62,500
NET CASH GENERATED FROM FINANCING ACTIVITIES		–	62,500
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,640	429
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD	12	429	–
CASH AND CASH EQUIVALENTS AT THE ENDING OF PERIOD	12	3,069	429

The accompanying notes form part of the financial statements.

B. NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by Astro-Wood is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of Astro-Wood. The adoption of these new and revised HKFRSs did not result in significant change to the Astro-Wood's accounting policies applied on these financial statements for the current and prior year presented. Astro-Wood has not applied any new and revised standard or interpretation that are not yet effective for the current accounting year (see note 22).

(b) Basis of preparation of the financial statements

The functional currency of Astro-Wood is Renminbi ("RMB") but the Financial Information is presented in Hong Kong Dollar ("HK$"), in order to be consistent with the presentation currency of the Circular in which this Financial Information has been included.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the biological assets (see note 1 (e)) are stated at fair value as explained in the accounting policies set out below.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next period are discussed in note 21.

(c) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 1(f)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in income statement on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Buildings	5 to 10 years
Plantation infrastructure	5 to 10 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(d) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if Astro-Wood determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to Astro-Wood

Assets held by Astro-Wood under leases which transfer to Astro-Wood substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to Astro-Wood are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if held under a finance lease; and

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by Astro-Wood, or taken over from the previous lessee.

(ii) Assets acquired under finance leases

Where Astro-Wood acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely Astro-Wood will obtain ownership of the asset, the life of the asset, as set out in note 1(c). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(f). Finance charges implicit in the lease payments are charged to income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

(iii) Operating lease charges

Where Astro-Wood has the use of assets under operating leases, payments made under the leases are charged to income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

(e) Biological assets

Biological assets comprise forest crop in PRC.

Biological assets are living plants involved in the agricultural activities of the transformation of biological assets into agricultural produce for sale or into additional biological assets. Biological assets and agricultural produce are measured at fair value less costs to sell at initial recognition and at each reporting date. Costs to sell are the incremental costs directly attributable to the disposal of an asset.

The fair value of biological assets is determined independently by professional valuers.

(f) Impairment of assets

(i) Impairment of receivables

Trade and other receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of Astro-Wood about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environmental that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through income statement. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When Astro-Wood is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in income statement.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in income statement if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to income statement in the year in which the reversals are recognised.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 1(f)).

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of Astro-Wood's cash management are also included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(i) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(j) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirements plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised when, and only when, Astro-Wood demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(k) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in income statement except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, Astro-Wood controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if Astro-Wood has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, Astro-Wood intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when Astro-Wood has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to Astro-Wood and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in income statement as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(n) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in income statement, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill on consolidation of foreign operations acquired on or after 1 January 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised directly in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of foreign operation, cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(o) Related parties

For the purpose of these financial statements, parties are considered to be related to Astro-Wood if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control Astro-Wood or exercise significant influence over Astro-Wood in making financial and operating policy decisions, or has joint control over Astro-Wood;

(ii) Astro-Wood and the party are subject to common control;

(iii) the party is an associate of Astro-Wood or a joint venture in which Astro-Wood is a venturer;

(iv) the party is a member of key management personnel of Astro-Wood or Astro-Wood's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of Astro-Wood or of any entity that is a related party of Astro-Wood.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(p) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to Astro-Wood's most senior executive management for the purposes of allocating resources to, and assessing the performance of, Astro-Wood's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

2. TURNOVER AND OTHER REVENUE

Astro-Wood was established in the PRC on 24 February 2009 as a company with limited liability. The address of the registered office of Astro-Wood is Level 8, Zhi Gao Guo Ji, Jin Tao Garden, No. 50 Tao Yuan Nan Road, Taiyuan City, the PRC.

Astro-Wood is principally engaged in the research and development, nursing, planting and sales of landscaping seedlings.

	1/1/2010 to 30/4/2010 *HK$'000*	**24/2/2009 to 31/12/2009** *HK$'000*
Turnover		
Sales of landscaping seedlings	66,956	–
Other revenue		
Interest income on financial assets not at fair value through profit or loss – Bank interest income	–	4
	66,956	4

3. PROFIT BEFORE TAXATION

Profit from operations is arrived at after charging:

	1/1/2010 to 30/4/2010 *HK$'000*	**24/2/2009 to 31/12/2009** *HK$'000*
Depreciation	250	273
Value of inventories	33,928	–
Operating lease charges for premises:		
– Minimum lease payment	389	691
Staff costs including:		
– Retirement benefit scheme contributions	6	14
– Salaries, allowances and other benefits	697	808

4. INCOME TAX IN THE INCOME STATEMENT

(a) Under the PRC tax law, the Enterprise Income Tax rate of the PRC was 25% for the period ended 30 April 2010 and period ended 31 December 2009. Pursuant to section 27 of the PRC tax law and section 86 of the Implementation Regulations of the PRC tax law, the entity's income derived from forestry business in exempt from Enterprise Income Tax.

(b) Reconciliation between tax expense and accounting profit at the applicable tax rates:

	1/1/2010 to 30/4/2010	**24/2/2009 to 31/12/2009**
	HK$'000	*HK$'000*
Profit before taxation	803,677	15,962
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	200,919	3,990
Tax effect of non-taxable income	(193,050)	(4,668)
Tax effect of tax concession	(7,869)	–
Tax effect of unused tax losses not recognised	–	678
Actual tax expense	–	–

5. DIRECTORS' AND SUPERVISOR'S REMUNERATION

Directors' and supervisor's remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

For the period ended 30 April 2010

Name of director and supervisor	**Directors' fees**	**Salaries allowances and benefit in kind**	**Discretionary bonuses**	**Employer's contribution to pension scheme**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Xue Zhixin	–	–	6	–	6
Mr. Wu Shaoning	–	–	–	–	–
Mr. Sun Jie	–	30	1	–	31
Supervisor					
Mr. Guo Hongxin	–	15	1	–	16
	–	45	8	–	53

For the period ended 31 December 2009

Name of director and supervisor	Directors' fees	Salaries allowances and benefit in kind	Discretionary bonuses	Employer's contribution to pension scheme	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
Mr. Xue Zhixin (appointed on 30/12/2009)	–	45	–	–	45
Mr. Wu Shaoning (appointed on 30/12/2009)	–	–	–	–	–
Mr. Sun Jie (appointed on 30/12/2009	–	–	–	–	–
Supervisor					
Mr. Liu Zhenjiang (resigned on 29/12/2009)	–	38	–	–	38
	–	83	–	–	83

No directors waived any remuneration during the periods ended 30 April 2010 and 31 December 2009. No inducement payments to joint or upon joining Astro-Wood or as compensation for loss of office was paid or payable to any director for the two periods ended 30 April 2010 and 31 December 2009.

6. INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the period, the five highest paid individuals included two (2009: two) directors and details of their emoluments are set out in note 5 above. The emoluments of the three (2009: three) individuals are as follows:

	1/1/2010 to 30/4/2010	24/2/2009 to 31/12/2009
	HK$'000	*HK$'000*
Salaries and other benefits	75	117
Contributions to retirement benefits schemes	–	–
	75	117

Their emoluments were all within HK$1,000,000.

7. DIVIDENDS

The directors of Astro-Wood do not recommend the payment of a dividend for the period ended 30 April 2010 and period ended 31 December 2009.

8. SEGMENT REPORTING

(a) The directors consider that Astro-Wood operates in a single business and geographical segment as the revenue and profit are derived entirely from the sales of landscaping seedlings in the PRC. Accordingly, no segmental analysis is presented.

(b) Information about major customers

Astro-Wood's customer base includes two customers from whom Astor-Wood derived more than 10% of its total revenues in the period ended 30 April 2010 (2009: Nil). During the period ended 30 April 2010, revenue from each of these two customers amounted to approximately HK$37 million and HK$25 million, respectively.

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings	**Plantation infrastruction**	**Furniture, fixtures, and office equipment**	**Motor vehicles**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 24 February 2009	–	–	–	–	–
Additions	351	5,864	126	507	6,848
At 31 December 2009 and 1 January 2010	351	5,864	126	507	6,848
Exchange adjustments	–	7	–	1	8
Additions	–	–	136	844	980
At 30 April 2010	351	5,871	262	1,352	7,836
Accumulated depreciation:					
At 24 February 2009	–	–	–	–	–
Charge for the period	12	193	12	56	273
At 31 December 2009 and 1 January 2010	12	193	12	56	273
Charge for the period	11	195	10	34	250
At 30 April 2010	23	388	22	90	523
Carrying amount					
At 30 April 2010	328	5,483	240	1,262	7,313
At 31 December 2009	339	5,671	114	451	6,575

10. BIOLOGICAL ASSETS

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
At the beginning of period	327,369	–
Additions through capital injection	–	235,992
Additions through purchases *(note (i))*	29,977	72,702
Harvested and sold during the period	(33,928)	–
Gain arising from changes in fair value less costs to sell of biological assets *(note (ii))*	772,199	18,675
Exchange adjustments	373	–
At the end of period	1,095,990	327,369

The analysis of fair value of biological assets by location is as follows:

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Shanxi	1,085,063	327,369
Beijing	10,927	–
	1,095,990	327,369

Notes:

(i) The additions through purchases represent the considerations paid for the acquisitions of biological assets and the value of tree saplings planted during the period. The consideration of individual acquisition is agreed on a negotiation basis.

(ii) Changes in fair value less costs to sell include changes upon initial acquisition of the biological assets and changes during the period.

The changes in fair value less costs to sell upon initial acquisition of the biological assets represent the difference between the acquisition cost and the value of the new plantation assets at the date of acquisition.

The changes in fair value less costs to sell during the period represent the aggregate of the difference between the value of the existing biological assets as of the beginning and end of the financial period and the difference between the value of the new biological assets as of the second day of acquisition and end of the financial period.

The Present Sino Group's biological assets represented tree species including Lacebark Pine, Platycladus orientalis, Zizyphus jujube and Acer truncatum bunge located at Shanxi Province and Beijing of the PRC (the "Tree Species"). The Tree Species are used for ornamental plant and also for greenery purpose. The major customers of the species including landscaping companies, construction companies and government departments. As at 30 April 2010 and 31 December 2009, the total area of the Tree Species is approximately 21,456 Chinese Mu and 16,236 Chinese Mu respectively.

Astro-Wood's biological assets in the PRC were independently valued by LCH (Asia-Pacific) Surveyors Limited.

In valuing the Tree Species, the valuer has considered three different valuation approaches with reference to the biological assets as well as the applicable accounting standard, and found that market approach i.e. the market-based comparable method is the most appropriate approximate approach to value. This method uses the present market value in terms of price per tree as basis for coming up with the estimated value. The underlying theory of this approach is existing market price is dependable parameter since it reflects amount the buyer is willing to pay and amount the seller is willing to give up.

The principal valuation methodology and assumptions adopted are as follows:

- That the end product or the market being assessed are for trees;
- The total number of each tree species considered in the valuation is based on the survey report prepared by a governmental body which is responsible for policy planning, management and monitoring, research and development, survey and inspection, investigation and patrol of the local forestry resources, wood production and trading activities of Taiyuan City. Officials of national professional qualifications perform site survey and inspection covering the whole forestry and woodland areas of Taiyuan City.;
- The prices for each species are homogenous and the average price for each species was as basis;
- The Tree Species are valued on the basis of market value in continued use and as part of a going-concern business;
- Market value in continued use is not intended to represent the amount that might be realised from piecemeal or break-up disposition in the open market or for other alternate use;
- No allowance has been made in the valuation for any charges, mortgages, outstanding premium or amounts owing on the Tree Species;
- No allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Tree Species;

In valuing several species planted or purchased recently, the valuer has adopted the cost approach due to little biological transformation that has taken place from the time planted or purchase to the date of valuation and the impact of the biological transformation on the price of the saplings is not material based on the planned rotation of the tree. In using the cost approach, the valuer has adopted the costs incurred as at the date of valuation as well as units costs since the independent research indicates that the unit costs are within reasonable range for the type of saplings being planted, purchased, terrain and locality. Costs included in the valuation comprise sapling cost, land rental, management cost, planting cost and fertilizer cost. As at 30 April 2010 and 31 December 2009, the value of respective Tree Species is approximately HK$2,235,000 and HK$275,000 respectively.

11. TRADE AND OTHER RECEIVABLES

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Trade receivables	50,207	–
Less: allowance for doubtful debts	–	–
Loans and receivables	50,207	–
Prepayments, deposits and other receivables	1,306	724
	51,513	724

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Age analysis

Trade receivables are net of allowance for doubtful debts of HK$Nil (2009: HK$Nil) with the following age analysis as of the end of the reporting period:

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Within credit period	50,207	–

Trade receivables are due within 30 to 180 days from the date of billing. Further details on the group's credit policy are set out in note 17(a).

(b) Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Neither past due nor impaired	50,207	–

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

12. CASH AND CASH EQUIVALENTS

Cash and deposits with banks are denominated in Renminbi, which is not a freely convertible currency and the remittance of funds out of the PRC is subject to the exchange control imposed by the PRC government.

Deposits with banks are interest bearing at the prevailing market rates.

13. TRADE AND OTHER PAYABLES

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Trade payables *(note (a))*	20,151	431
Other payables	50	54
Receipts in advance	136	–
Amounts due to directors *(note (b))*	9,631	2,506
Amounts due to related companies *(note 14)*	9,905	18,144
Financial liabilities measured at amortised cost	39,873	21,135

(a) Trade payables

As ageing analysis of trade payables as at the end of the reporting period is as follows:

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Due within 1 month or on demand	20,100	175
Due after 1 month but within 2 months	–	157
Due after 2 months but within 3 months	3	8
Due after 3 months but within 6 months	3	91
Due after 6 months	45	–
	20,151	431

(b) The above amounts are unsecured, interest-free and have no fixed terms of repayment.

(c) All of the trade and other payables are expected to be settled within one year.

14. AMOUNTS DUE TO RELATED COMPANIES

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Taiyuan Renlong Enterprise Development Group Co., Ltd. ("Taiyuan Renlong") *(note (i))*	8,438	18,144
Taiyuan Sanyuandeng Modern Agriculture Development Co., Ltd. ("Taiyuan Sanyuandeng") *(note (ii))*	1,467	–
	9,905	18,144

(i) The amount due to Taiyuan Renlong is unsecured, interest-free and has no fixed terms of repayment. The director of Taiyuan Renlong, Mr. Xue Zhixin, is a director of Astro-Wood.

(ii) The amount due to Taiyuan Sanyuandeng is unsecured, interest-free and has no fixed terms of repayment. The director of Taiyuan Sanyuandeng, Mr. Xue Zhixin, is a director of Astro-Wood.

15. CAPITAL AND RESERVES

a)

	Paid-in capital	**Capital reserve**	**Exchange reserve**	**Retained profits**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 24 February 2009	–	–	–	–	–
Issue of new ordinary shares	181,818	116,674	–	–	298,492
Total comprehensive income for the period	–	–	–	15,962	15,962
At 31 December 2009 and 1 January 2010	181,818	116,674	–	15,962	314,454
Total comprehensive income for the period	–	–	358	803,677	804,035
At 30 April 2010	181,818	116,674	358	819,639	1,118,489

b) Paid-in-capital

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Registered capital and fully paid		
At the beginning of period	181,818	–
Capital injection – biological assets	–	119,318
Capital injection – cash	–	62,500
At the end of period	181,818	181,818

c) Nature and purpose of reserves

i) Capital reserve

Capital reserve represents the excess of paid-up capital over the registered capital of the company.

Astro-Wood was incorporated on 24 February 2009 with registered capital of HK$181,818,000 (equivalent to RMB160,000,000). The shareholders of Astro-Wood injected cash of HK$62,500,000 (equivalent to RMB55,000,000) and biological assets of approximately HK$119,318,000 (equivalent to approximately RMB105,000,000) into Astro-Wood as paid-in capital. The difference between the value of the biological assets injected (see note 10) and the corresponding capital injection amounted to approximately HK$116,674,000 (equivalent to approximately RMB102,674,000) was recognised as capital reserve during the period ended 31 December 2009.

ii) Currency translation reserve

Currency translation reserve comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 1(n).

d) Capital management

Astro-Wood's primary objectives when managing capital are to safeguard Astro-Wood's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal balance between debt and equity. Astro-Wood's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Astro-Wood consists of debts, cash and cash equivalents and equity attributable to owners of Astro-Wood (which comprises issued share capital and reserves).

The directors of Astro-Wood reviews the capital structure on a regular basis. Astro-Wood will balance its overall capital structure through the raising fund from shareholders.

Astro-Wood is not subject to externally imposed capital requirements.

16. RETIREMENT BENEFIT SCHEMES

Pursuant to the relevant labour rules and regulations in the PRC, Astro-Wood participate in a defined contribution retirement plan (the "Plan") organised by the local government authorities whereby Astro-Wood is required to contribute to the Plan to fund the retirement benefits of the eligible employees. Contributions made to the Plan are calculated at a specified percentage of the basic salaries of the eligible employees. The local government authorities are responsible for the entire pension obligations payable to the retired employees. Astro-Wood is not liable to any retirement benefits payment in the PRC beyond the contributions to the Plan.

Astro-Wood does not operate any other scheme for retirement benefits of its employees.

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is of fundamental importance to the business operation of Astro-Wood. The major types of risk inherent in Astro-Wood's business are credit risk, liquidity risk, interest rate risk, foreign currency risk and natural risk. Astro Wood's risk management objective is to maximise shareholder's value and to reduce volatility in earnings while maintaining risk exposures within acceptable limits.

(a) Credit risk

Credit risk is the risk of financial loss to Astro-Wood if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from Astro-Wood's trade and other receivables and deposits with banks.

Astro-Wood's credit risk is primarily attributable to trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within one to six months from the date of billing. Normally, Astro-Wood does not obtain collateral from customers. The impairment losses on bad and doubtful debts account are within management's expectation.

Astro-Wood's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the ended of reporting period, Astro-Wood had certain concentration risk as 55% and 100% of the total trade receivables was due from Astro-Wood's largest customer and the five largest customers, respectively.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance. Astro-Wood does not provide any other guarantees which would expose Astro-Wood to credit risk.

Further quantitative disclosures in respect of Astro-Wood's exposure to credit risk arising from trade and other receivables are set out in note 11.

Astro-Wood limits its exposure to credit risk by placing deposits with financial institutions with no recent history of default. Management does not expect any counterparty to fail to meet its obligations.

(b) Liquidity risk

Liquidity risk is the risk that Astro-Wood will not be able to meet its financial obligations as they fall due. Astro-Wood's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to Astro-Wood's reputation.

Astro-Wood's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities. Astro-Wood mainly relies on internal generated funds.

(c) Interest rate risk

Asto-Wood has not borrowed any loans from banks or other parties and invested in any interest bearing securities. Furthermore, Astro-Wood has no significant interest-bearing assets (other than bank deposits) and interest income from bank deposits are not significant. The risk arising from unexpected adverse interest rate movements is considered insignificant.

(d) Currency risk

Asto-Wood is exposed to foreign currency translation risk.

At 30 April 2010 and 31 December 2009, if Hong Kong dollars had weakended/strengthened by 5% against Renminbi with all other variables held constant, there would be no material effect on profit for the year, but equity would have been approximately HK$55.9 million and HK$15.7 million higher/lower respectively, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations. 5% is sensitivity rate used which represents management's assessment of reasonably possible changes in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation for a 5% change in foreign currency rate.

(e) Natural risk

Asto-Wood's revenue depends significantly on the ability to harvest at adequate levels. The ability to harvest and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting or the growth of the trees in the forests.

(f) Fair value

All financial assets and liabilities are stated at fair value or carried at amounts not materially different from their fair values as at the end of each reporting period.

18. OPERATING LEASE COMMITMENTS

At 30 April 2010 and 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30/4/2010	**31/12/2009**
	HK$'000	*HK$'000*
Within one year	1,602	1,323
In the second to fifth years, inclusive	5,589	3,358
Over five years	36,952	29,429
	44,143	34,110

19. RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to Astro-Wood's directors as disclosed in note 5 and certain of the highest paid employees as disclosed in note 6, is as follows:

	1/1/2010 to 30/4/2010	**24/2/2009 to 31/12/2009**
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	128	200
Retirement scheme contributions	–	–
	128	200

Total remuneration is included in "staff costs" (see note (3)).

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, Astro-Wood entered into the following related party transactions.

(i) Purchase of biological assets and fixed assets from a related company

During the period ended 31 December 2009, Astro-Wood acquired biological assets and property, plant and equipment from Taiyuan Renlong Enterprise Development Group Co., Ltd. ("Taiyuan Renlong") amounting to approximately HK$70,330,000 (equivalent to approximately RMB61,891,000) and approximately HK$5,909,000 (equivalent to RMB5,200,000) respectively under the similar terms as traded with other parties. In the opinion of the directors, the transaction was carried out in the ordinary course of business and on normal commercial terms.

The director of Taiyuan Renlong, Mr. Xue Zhixin is a director of Astro-Wood.

(ii) Purchase of landscape seedlings from a related company

During the period ended 30 April 2010, Astro-Wood acquired biological assets from Taiyuan Sanyuandeng Modern Agriculture Development Co., Ltd. ("Taiyuan Sanyuandeng") amounting to approximately HK$1,468,000 (equivalent to approximately RMB1,290,000) under the similar terms as traded with other parties. In the opinion of the directors, the transaction was carried out in the ordinary course of business and on normal commercial terms.

The director and shareholder of Taiyuan Sanyuandeng, Mr. Xue Zhixin is a director of Astro-Wood.

20. PARENT AND ULTIMATE HOLDING COMPANY

At 30 April 2010, the directors consider the parent and ultimate controlling party of the Company to be Sky Link International Limited and Present Sino Limited, respectively which are incorporated in Hong Kong and BVI respectively. Neither of them produces financial statements available for public use.

21. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historic experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Astro-Wood made estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below:

(a) Fair values of biological assets

Management estimates at the end of the reporting date fair values less costs to sell of biological assets with reference to market prices and professional valuations. Management considers that these are presently an absence of effective financial instruments for hedging against the pricing risks with the underlying agricultural produce. Un-anticipated volatile changes in market prices of the underlying agricultural produce could significantly affect the fair values of these biological assets and result in fair value re-measurement losses in future accounting periods.

(b) Useful lives of property, plant and equipment

Astro-Wood's management determines the estimated useful lives and related depreciation charge for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) Income taxes

Astro-Wood is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Astro-Wood recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Estimated impairment of assets

Astro-Wood's management tests annually whether assets have suffered any impairment, in accordance with the accounting policy stated in note 1(f). The recoverable amounts of cash-generated units have been determined based on value-in-use calculations. These calculations require the use of estimates. Management has not identified any indications that the assets have or would have suffered any impairment at the end of reporting period.

(e) Fair value estimation

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purpose is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Astro-Wood for similar financial instruments.

22. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 30 APRIL 2010 AND 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 April 2010 and 31 December 2009.

Astro-Wood has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 32 (Amendment)	Classification of Rights Issues[1]
HKFRS 9	Financial Instruments[4]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 February 2010.
2 Effective for annual periods beginning on or after 1 January 2011.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2013.

The directors of Astro-Wood anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the financial statements.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by Astro-Wood in respect of any period subsequent to 30 April 2010.

Yours faithfully

CCIF CPA Limited
Certified Public Accountants

Hong Kong
Betty P.C. Tse
Practising Certificate Number P03024

For illustrative purposes only, set out below is the Unaudited Pro Forma Financial Information of the Group after completion of the Acquisition of Present Sino. The Unaudited Pro Forma Financial Information is prepared in accordance with Paragraph 4.29(1) and paragraph 14.69(4)(a)(ii) of the Listing Rules to illustrate the effect of the Acquisition on the Group's financial information.

(A) UNAUDITED PRO FORMA FINANCIAL INFORMATION

Introduction to the unaudited pro forma financial information

The accompanying Unaudited Pro Forma Financial Information of the Enlarged Group, comprising the unaudited pro forma combined income statement, unaudited pro forma combined statement of financial position of the Enlarged Group and unaudited pro forma combined cash flow statement (the "Unaudited Pro Forma Financial Information"), has been prepared by the directors of the Company in accordance with paragraph 4.29 of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to illustrate the effect of the Acquisition.

The unaudited pro forma combined income statement and unaudited pro forma combined cash flow statement of the Enlarged Group have been prepared based on the audited consolidated income statement and audited consolidated cash flow statement of the Group for the year ended 30 June 2009 as set out in the annual report of the Company for the year ended 30 June 2009 as referred to in Appendix I to the Circular, the audited consolidated income statement and audited consolidated cash flow statement of Present Sino for the period from 6 July 2009 to 31 December 2009 as set out in Appendix II to this Circular and the audited income statement and audited cash flow statement of Astro-Wood for the period from 24 February 2009 to 31 December 2009 as set out in Appendix III to this Circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes. The unaudited pro forma combined statement of financial position of the Group of the Enlarged Group has been prepared based on the unaudited consolidated statement of financial position of the Group as at 31 December 2009 as set out in the interim report of the Company for the six months ended 31 December 2009 as referred to in Appendix I to this Circular, the audited consolidated statement of financial position of the Present Sino Group as at 30 April 2010 as set out in Appendix II to this Circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes. A narrative description of the unaudited pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; (ii) expected to have a continuing impact on the Enlarged Group and those which are not in respect of unaudited pro forma combined income statement and unaudited pro forma combined cash flow statement; and (iii) factually supportable, are summarised in the accompanying notes.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with the latest published audited consolidated financial information of the Group as set out in Appendix I to this circular, the audited consolidated financial information of the Present Sino Group as set out in Appendix II to this Circular, the audited financial information of Astro-Wood as set out in Appendix III to this Circular and other financial information included elsewhere in this circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to present the actual financial position of the Enlarged Group that would have attained had the Acquisition been completed on 31 December 2009, or the results and cash flows of the Enlarged Group that would have been attained had the Acquisition been completed on 1 July 2008. Further, the accompanying Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial position, results or cash flows.

1. Unaudited pro forma combined income statement for the year ended 30 June 2009

	The Group 1/7/2008 to 30/6/2009 HK$'000 (Note 1)	The Present Sino Group 6/7/2009 to 31/12/2009 HK$'000 (Note 2)	Astro-Wood 24/2/2009 to 31/12/2009 HK$'000 (Note 3)	Pro forma combined HK$'000	Pro forma adjustments HK$'000 (Note 4(iii))	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 6)	Pro forma adjustments HK$'000 (Note 7)	Total Pro forma adjustments HK$'000	Pro forma of the Enlarged Group HK$'000
Turnover	3,178,420	–	–	3,178,420	–					3,178,420
Cost of sales	(2,966,047)	–	–	(2,966,047)						(2,966,047)
Gross profit	212,373	–	–	212,373						212,373
Valuation gain on investment property	595	–	–	595						595
Other net income	44,767	–	4	44,771						44,771
Distribution costs	(76,757)	–	–	(76,757)						(76,757)
Administrative expenses	(57,650)	(37)	(2,717)	(60,404)						(60,404)
Other operating expenses	(9,790)	–	–	(9,790)	(5,000)				(5,000)	(14,790)
Write down of inventories	(24,510)	–	–	(24,510)						(24,510)
Loss on disposal of subsidiaries	(12,226)	–	–	(12,226)						(12,226)
Release of negative goodwill	–	–	–	–		60,888			60,888	60,888
Gain arising from changes in fair value less estimated point-of-sale costs of biological assets	–	–	18,675	18,675						18,675
Profit/(loss) from operations	76,802	(37)	15,962	92,727						148,615
Finance costs	(51,069)	–	–	(51,069)			(12,457)	(47,670)	(60,127)	(111,196)
Profit/(loss) before taxation	25,733	(37)	15,962	41,658						37,419
Income tax	(13,816)	–	–	(13,816)						(13,816)
Profit/(loss) for the year	11,917	(37)	15,962	27,842						23,603
Attributable to:										
Equity shareholders of the Company	11,067	(37)	15,962	26,992						22,753
Minority interests	850	–	–	850						850
Profit/(loss) for the year	11,917	(37)	15,962	27,842						23,603

2. Unaudited pro forma combined statement of financial position of the Enlarged Group

	The Group 31/12/2009 *HK$'000* *(Note 1)*	The Present Sino Group 30/4/2010 *HK$'000* *(Note 2)*	Pro forma combined *HK$'000*	Pro forma adjustments *HK$'000* *(Note 4)*	Pro forma adjustments *HK$'000* *(Note 4(iii))*	Pro forma adjustments *HK$'000* *(Note 5)*	Total Pro forma adjustments *HK$'000*	Pro forma of the Enlarged Group *HK$'000*
Non-current assets								
Property, plant and equipment	108,637	7,313	115,950				–	115,950
Investment property	20,557	–	20,557				–	20,557
Lease premiums for land	3,358	–	3,358				–	3,358
Prepayment – long term portion	–	477	477				–	477
Intangible assets	110,598	–	110,598				–	110,598
Long term investments	26,713	–	26,713				–	26,713
Goodwill	–	–	–				–	–
Biological assets	–	1,095,990	1,095,990				–	1,095,990
Investment cost in subsidiaries	–	–	–	966,807		(966,807)	–	–
	269,863	1,103,780	1,373,643					1,373,643
Current assets								
Trading securities	3,556	–	3,556				–	3,556
Inventories	164,224	–	164,224				–	164,224
Lease premiums for land	96	–	96				–	96
Trade and other receivables	1,748,370	51,513	1,799,883				–	1,799,883
Restricted bank deposits	366,270	–	366,270				–	366,270
Cash and bank balances	176,369	3,101	179,470		(5,000)		(5,000)	174,470
	2,458,885	54,614	2,513,499					2,508,499
Current liabilities								
Trade and other payables	(1,385,457)	(130,699)	(1,516,156)				–	(1,516,156)
Bank loans	(474,050)	–	(474,050)				–	(474,050)
Provision for taxation	(34,656)	–	(34,656)				–	(34,656)
Convertible bonds	(899)	–	(899)				–	(899)
Promissory note	–	–	–				–	–
	(1,895,062)	(130,699)	(2,025,761)					(2,025,761)
Net current assets/(liabilities)	563,823	(76,085)	487,738					482,738

	The Group 31/12/2009 *HK$'000* *(Note 1)*	The Present Sino Group 30/4/2010 *HK$'000* *(Note 2)*	Pro forma combined *HK$'000*	Pro forma adjustments *HK$'000* *(Note 4)*	Pro forma adjustments *HK$'000* *(Note 4(iii))*	Pro forma adjustments *HK$'000* *(Note 5)*	Total Pro forma adjustments *HK$'000*	Pro forma of the Enlarged Group *HK$'000*
Non–current liabilities								
Convertible bonds – liability component	(28,223)	–	(28,223)	(591,197)			(591,197)	(619,420)
Promissory note	–	–	–	(166,807)			(166,807)	(166,807)
	(28,223)	–	(28,223)					(786,227)
NET ASSETS	805,463	1,027,695	1,833,158					1,070,154
CAPITAL AND RESERVES								
Share capital	(59,157)	(388)	(59,545)			388	388	(59,157)
Convertible bonds – equity component	–	–	–	(208,803)			(208,803)	(208,803)
Reserves	(726,778)	(1,027,307)	(1,754,085)		5,000	966,419	971,419	(782,666)
Total equity attributable to equity shareholders of the Company	(785,935)	(1,027,695)	(1,813,630)					(1,050,626)
Minority interests	(19,528)	–	(19,528)				–	(19,528)
TOTAL EQUITY	(805,463)	(1,027,695)	(1,833,158)					(1,070,154)

3. Unaudited pro forma combined cash flow statement for the year ended 30 June 2009

	The Group 1/7/2008 to 30/6/2009 HK$'000 (Note 1)	The Present Sino Group 6/7/2009 to 31/12/2009 HK$'000 (Note 2)	Astro-Wood 24/2/2009 to 31/12/2009 HK$'000 (Note 3)	Pro forma combined Year ended 31/12/2009 HK$'000	Pro forma adjustments HK$'000 (Note 4(iii))	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 6)	Pro forma adjustments HK$'000 (Note 7)	Total Pro forma adjustments HK$'000	Pro forma of the Enlarged Group HK$'000
Operating activities										
Profit before taxation	25,733	(37)	15,962	41,658	(5,000)	60,888	(12,457)	(47,670)	(4,239)	37,419
Adjustment for:										
Interest income for bank deposits	(7,683)	–	(4)	(7,687)					–	(7,687)
Other interest income	(8,783)	–	–	(8,783)					–	(8,783)
Finance costs	51,069	–	–	51,069			12,457	47,670	60,127	111,196
Loss on disposal of property, plant and equipment	2,363	–	–	2,363					–	2,363
Depreciation on owned fixed assets	5,478	–	273	5,751					–	5,751
Impairment loss on property, plant and equipment	137	–	–	137					–	137
Valuation gain on disposal	(595)	–	–	(595)					–	(595)
Amortisation of lease premiums for land	306	–	–	306					–	306
Amortisation of intangible assets	12,414	–	–	12,414					–	12,414
Impairment losses on intangible assets	798	–	–	798					–	798
Write down of inventories	24,510	–	–	24,510					–	24,510
Reversal of impairment loss of trade debtors and bills receivables	(7,423)	–	–	(7,423)					–	(7,423)
Impairment losses on trade receivables	8,855	–	–	8,855					–	8,855
Loss on disposal of subsidiaries	12,226	–	–	12,226					–	12,226
Gain on disposal of jointly controlled entities	(757)	–	–	(757)					–	(757)
Exchange gains	(2,245)	–	–	(2,245)					–	(2,245)
Release of negative goodwill	–	–	–	–		(60,888)			(60,888)	(60,888)
Changes in fair value less estimated point-of-sale costs of biological assets	–	–	(18,675)	(18,675)					–	(18,675)

	The Group 1/7/2008 to 30/6/2009 HK$'000 (Note 1)	The Present Sino Group 6/7/2009 to 31/12/2009 HK$'000 (Note 2)	Astro-Wood 24/2/2009 to 31/12/2009 HK$'000 (Note 3)	Pro forma combined Year ended 31/12/2009 HK$'000	Pro forma adjustments HK$'000 (Note 4(iii))	Pro forma adjustments HK$'000 (Note 5)	Pro forma adjustments HK$'000 (Note 6)	Pro forma adjustments HK$'000 (Note 7)	Total Pro forma adjustments HK$'000	Pro forma of the Enlarged Group HK$'000
Operating profit/(loss) before changes in working capital	116,403	(37)	(2,444)	113,922					–	108,922
Decrease in inventories	104,754	–	–	104,754					–	104,754
(Increase)/decrease in trade and other receivables	(443,758)	4,147	(1,216)	(440,827)					–	(440,827)
Increase in trade and other payables	381,801	–	2,560	384,361					–	384,361
Decrease in due to jointly controlled entity	(17,943)	–	–	(17,943)					–	(17,943)
Cash generated/(used in) from operations	141,257	4,110	(1,100)	144,267						139,267
Tax paid										
Hong Kong profits tax paid	–	–	–	–					–	–
PRC enterprise tax paid	(4,285)	–	–	(4,285)					–	(4,285)
Net cash generated from/(used in) operating activities	136,972	4,110	(1,100)	139,982					–	134,982
Investing activities										
Interest received	16,466	–	4	16,470					–	16,470
Payment for purchase of property, plant and equipment	(47,101)	–	(6,848)	(53,949)					–	(53,949)
Payment for lease premiums for land	(4,810)	–	–	(4,810)					–	(4,810)
Purchase of trading securities	(1,828)	–	–	(1,828)					–	(1,828)
Increase in restricted bank deposits	(94,820)	–	–	(94,820)					–	(94,820)
Net cash inflow from disposal of jointly controlled entities	27,965	–	–	27,965					–	27,965
Net cash (outflow)/inflow from disposals of subsidiaries	(758)	–	–	(758)						(758)
Capital expenditure in biological assets	–	–	(54,127)	(54,127)					–	(54,127)
Net cash used in investing activities	(104,886)	–	(60,971)	(165,857)					–	(165,857)

	The Group 1/7/2008 to 30/6/2009 *HK$'000* *(Note 1)*	The Present Sino Group 6/7/2009 to 31/12/2009 *HK$'000* *(Note 2)*	Astro-Wood 24/2/2009 to 31/12/2009 *HK$'000* *(Note 3)*	Pro forma combined Year ended 31/12/2009 *HK$'000*	Pro forma adjustments *HK$'000* *(Note 4(iii))*	Pro forma adjustments *HK$'000* *(Note 5)*	Pro forma adjustments *HK$'000* *(Note 6)*	Pro forma adjustments *HK$'000* *(Note 7)*	Total Pro forma adjustments *HK$'000*	Pro forma of the Enlarged Group *HK$'000*
Financing activities										
Capital contribution from minority shareholders	2,383	–	–	2,383					–	2,383
Advances from minority shareholders	8,185	–	–	8,185					–	8,185
Advances from a director	590	–	–	590					–	590
Repayment to a director	(90)	–	–	(90)					–	(90)
Drawn down of new bank loans	483,551	–	–	483,551					–	483,551
Repayment of bank loans	(554,641)	–	–	(554,641)					–	(554,641)
Interest expense paid	(51,069)	–	–	(51,069)					–	(51,069)
Issue of ordinary shares	–	388	–	388					–	388
Increase in share capital	–	–	62,500	62,500					–	62,500
Net cash(used in)/generated from financing activities	(111,091)	388	62,500	(48,203)					–	(48,203)
Net (decrease)/increase in cash and cash equivalents	(79,005)	4,498	429	(74,078)					–	(79,078)
Cash and cash equivalents at the beginning of the year/period	192,433	–	–	192,433					–	192,433
Effect of foreign exchange rate changes	(807)	–	–	(807)					–	(807)
Cash and cash equivalents at the end of the year/period	112,621	4,498	429	117,548					–	112,548

4. Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

(1) The amounts in the unaudited pro forma combined income statement, the unaudited pro forma combined statement of financial position and the unaudited pro forma combined cash flow statement were extracted from the summary of financial information of the Group set out in the annual report of the Company for the year ended 30 June 2009 and the interim report of the Company for the six months ended 31 December 2009 as referred to in appendix I to this Circular.

(2) The amounts in the unaudited pro forma combined income statement, unaudited pro forma combined cash flow statement and the unaudited pro forma combined statement of financial position were extracted from the consolidated income statement and consolidated cash flow statement of the Present Sino Group for the period from 6 July 2009 (date of incorporation of Present Sino) to 31 December 2009 and the consolidated statement of financial position as at 30 April 2010 of the Present Sino Group (when Astro-Wood has already become a subsidiary of Present Sino), respectively, set out in appendix II of the Accountants' Report on Present Sino dated 25 September 2010.

The major asset of the Present Sino Group is biological assets. The biological assets are measured at fair value less costs to sell in accordance with HKAS 41. In the absence of unforeseen circumstances, the Company determined to adopt consistent accounting policies and principal assumptions (as used in the unaudited pro forma financial information), including the principal assumptions and valuation methodology of the biological assets, to assess the fair value of the Enlarged Group's biological assets in the future. The Company's auditor will evaluate the work of the valuer including but not limited to source data used, assumptions and methods used and their consistency with prior period and results of the expert's work in the light of the auditor's overall knowledge of the business and of the results of other audit procedures, in accordance with Hong Kong Standard on Auditing 620, in the future.

(3) The amounts in the unaudited pro forma combined income statement and unaudited pro forma combined cash flow statement were extracted from the income statement and cash flow statement of Astro-Wood for the period from 24 February 2009 (date of incorporation of Astro-Wood) to 31 December 2009, respectively, set out in appendix III of the Accountants' Report on Astro-Wood dated 25 September 2010.

(4) The adjustment reflects the effect of Acquisition of Present Sino Group on the consolidation statement of financial position of the Group as if the Acquisition had already taken place on 31 December 2009. The Acquisition is accounted for using acquisition method of accounting under which the cost of the Acquisition is allocated to the fair value of the identifiable assets acquired and liabilities assumed of the Present Sino Group and Astro-Wood.

In accordance with the Sale and Purchase Agreement and the Supplemental Agreement (as defined in this circular), the value of the consideration for the Acquisition is HK$1,000,000,000 satisfied as to: (i) HK$800,000,000 by the issue of the Convertible Bonds, maturity on the fifth anniversary of the date of issue of the Convertible Bonds, upon Completion; (ii) HK$200,000,000 by the issue of Promissory Notes upon Completion (as defined in this circular) respectively.

An analysis of the total cost of the Acquisition is set out as follows:

Fair value

	HK$'000
Fair value of the consideration for the Acquisition:	
– the portion satisfied by the issue of Convertible Bonds *(note i)*	800,000
– the portion satisfied by the issue of Promissory Notes *(note ii)*	166,807
Total cost of the Acquisition	966,807

(4) (i) According to the Sale and Purchase Agreement, the Convertible Bonds with the principal amount of HK$800,000,000 is to be issued by the Company upon Completion. The Convertible Bonds is non-interest bearing and will mature on the fifth anniversary of the date of issue of the Convertible Bonds. The first principal amount of HK$668,000,000 of the Convertible Bonds is convertible at the initial conversion price of HK$1 per share (subject to adjustment) during the period commencing from the business day immediate after the date of issue and ending on the immediate date after the maturity date. The second principal amount of HK$50,000,000 of the Convertible Bonds is convertible 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 the immediate date before the maturity date. The balance of the principal amount of HK$82,000,000 of the Convertible Bonds is convertible 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 the immediate date before the maturity date.

In accordance with HKAS 32, a convertible bond is a compound financial instrument which required classification of its compound parts on initial recognition. The liability component is measured first, and the difference between the proceeds of the note issue and the fair value of the liability is assigned to the equity component.

The fair value assessment of the Convertible Bonds was carried out by Ample Appraisal Limited, an independent firm of professionally qualified valuers. The estimated fair value of the Convertible Bonds as at 31 December 2009 is approximately HK$800,000,000 which comprise the liability component of approximately HK$591,197,000 and the equity component of approximately HK$208,803,000. On Completion, the fair value of the Convertible Bonds will have to be reassessed as at the date of Completion which may be different from that presented above.

(ii) According to the Sale and Purchase Agreement, Promissory Notes with the principal amount of HK$200,000,000 are to be issued by the Company upon Completion. The Promissory Notes are non-interest bearing and will mature 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.

The fair value assessment of the Promissory Notes was carried out by Ample Appraisal Limited, an independent firm of professional qualified valuers. The estimated fair value of the Promissory Note as at 31 December 2009 is approximately HK$166,807,000. The fair value of the Promissory Note will have to be reassessed as at the date of Completion which may be different from that presented above.

(iii) The direct expenses of legal and professional services related to the Acquisition, among others, and for the purpose of the preparation of this circular are estimated to be approximately HK$5,000,000. Under the revised HKFRS 3, these acquisition-related costs are accounted for as expenses. This adjustment is not expected to have a continuing effect on the Enlarged Group in subsequent years.

(iv) Pursuant to the Sale and Purchase Agreements, the Second Vendor have given a profit guarantee ("Profit Guarantee") to the Group. Pursuant to the Profit Guarantee, the net profit of the Target Company for each of the year ending 30 June 2011 and 2012 (the "Profit Guarantee Period") shall not be less than HK$120,000,000 and HK$150,000,000 (the "Guaranteed Amounts") respectively.

If the annual audited net profit of the Target Company for any of the financial years during the Profit Guarantee Period is less than the Guaranteed Amounts, the Second Vendor will compensate the Group for any shortfall in cash on a dollar-for-dollar basis. As security for the attainment of the Profit Guarantee, the Second Vendor have agreed that if there is unsettled shortfall amount payable by the Second Vendor to the Group, the principal amount of the Second Promissory Note payable to the Second Vendor shall be reduced by the same amount. If the Secondary Promissory Note is not sufficient to meet the shortfall amount, the principal amount of the Convertible Bonds of the Second Vendor to be converted shall be deemed to have been reduced and the number of Shares convertible shall be reduced accordingly. The above arrangement may constitute a contingent consideration. The Group shall classify the right to return of the previously transferred consideration from the Second Vendor as an asset if specified conditions are met.

The Group's has appointed Ample Appraisal Limited, an independent firm of professionally qualified valuers, to perform the valuation of the fair value of the assets arising from contingent consideration. In determining the fair value of the Profit Guarantee, probabilistic approach has been adopted as the valuation method. The valuers estimated the fair value of the Profit Guarantee as at 31 December 2009 is zero. The calculations based on profit forecast of the Target Company for the Profit Guarantee Period were done by the management of the Target Company. Based on the valuation result, the Group's management opines that no asset from the contingent consideration arrangement shall be recognised at the date of acquisition. On Completion, the fair value of the contingent consideration arising from Profit Guarantee will have to be reassessed based on conditions prevailing at the date of Completion date.

(v) The directors of the Company have provisionally assessed that the carrying amounts of identifiable assets and liabilities of the Present Sino Group and Astro-Wood approximate their fair values on Acquisition.

(vi) On Completion, the fair values of the net identifiable assets and liabilities of the Target Group, the Promissory Note and the Convertible Bonds will have to be reassessed. As a result of the re-assessment, the amount of goodwill may be different from that estimated as stated above for the purpose of preparing this unaudited pro forma financial information.

(vii) HKFRS 3 Business Combinations (May 2010 Revised) issued by the Hong Kong Institute of Certified Public Accountants is applicable in reporting periods beginning on or after 1 July 2009 which introduces material changes in accounting for business combinations including recognition and measurement of consideration transferred and the acquiree's identifiable assets and liabilities, and the measurement of non-controlling interests (previously known as minority interests) in the acquiree.

The accounting impact arising from current HKFRS 3 and revised HKFRS 3 mainly include:

(a) Contingent consideration

Under the existing HKFRS 3, if a business combination agreement provides for an adjustment to the cost of the business combination contingent on future event, the acquirer is required to include the amount of the adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably. If the future events do not occur or the estimate needs to be revised, the cost of the business combination is to be adjusted accordingly. Such adjustment is not included in the cost of the combination at the time of initially accounting for the combination if it either is not probable or cannot be measured reliably. If that adjustment subsequently becomes probable and can be measured reliably, the additional consideration shall be treated as an adjustment to the cost of the combination. Under the revised HKFRS 3, the consideration the acquirer transfers in exchange or the acquiree includes any asset or liability resulting from a contingent consideration arrangement and the acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. Changes in fair value of contingent consideration resulted from additional information obtained after the acquisition about facts and circumstances that existed at the acquisition date are regarded as measurement period adjustments. The acquirer recognises additional assets or liabilities by means of adjusting the amount of goodwill. In addition, measurement period shall not exceed one year from the acquisition date. However, changes resulting from events after the acquisition date are not measurement period adjustments and shall not be accounted for by adjusting the goodwill on the acquisition date. Instead, contingent consideration classified as equity is not subsequently remeasured and settlement is accounted for within equity, whereas contingent consideration classified as an asset or a liability that (i) is financial instrument and is within the scope of HKAS 39 shall be measured at fair value, with any resulting gain or loss recognised either in profit or loss or in other comprehensive income in accordance with that HKFRS, (ii) is not within the scope of HKAS 39 shall be accounted for in accordance with HKAS 37 or other HKFRSs as appropriate.

(b) Acquisition cost

Under the existing HKFRS 3, costs directly attributable to the business combination is included as part of the cost of acquisition. However, under the revised HKFRS 3, transaction costs should be expensed.

On completion, the Acquisition will be accounted for using this revised HKFRS 3 and this pro forma financial information has adopted this revised HKFRS 3.

(5) The adjustment represents the eliminations of the share capital of the Target Company together with the pre-acquisition reserves of the Target Group. The amount of HK$60,888,000 represents the excess of the consideration transferred measured at fair value amounting to HK$966,807,000 over the Group's 100% equity interests in the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. This adjustment is not expected to have a continuing effect on the Enlarged Group in subsequent years.

The negative goodwill arising on the Acquisition is calculated as follows:

	HK$'000
Consideration transferred measured at fair value *(note 4)*	966,807
Fair value of assets acquired less liabilities assumed	(1,027,695)
Negative goodwill arising on Acquisition	(60,888)

(6) The adjustment represents the annual finance cost of the imputed interest of approximately HK$12,457,000 in respect of the Promissory Notes calculated at an effective interest rate of 9.338% per annum. This adjustment has continuing effect on the financial statements of the Enlarged Group in subsequent years. The value of the Promissory Note is determined based on the valuation conducted by Ample Appraisal Limited on the Promissory Note as at 1 July 2008.

(7) The adjustment represents the annual finance cost of the imputed interest of approximately HK$47,670,000 in respect of the Convertible Bonds calculated at an effective interest rate of 9.338% per annum. This adjustment has continuing effect on the financial statements of the Enlarged Group in subsequent years. The value of the Convertible Note is determined based on the valuation conducted by Ample Appraisal Limited on the Convertible Note as at 1 July 2008.

The following is the text of an accountants' report, prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, CCIF, Certified Public Accountants, Hong Kong. As described in the section headed "Documents for inspection" in Appendix VII, a copy of the following accountants' report is available for inspection.

(B) ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

25 September 2010

The Board of Directors
China Agrotech Holdings Limited
Room 2706, 27th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs

We report on the unaudited pro forma financial information set out on pages IV-1 to IV-14 under the heading of "Unaudited Pro Forma Financial Information of the Enlarged Group" (the "Unaudited Pro Forma Information") in the circular dated 25 September 2010 (the "Circular") of China Agrotech Holdings Limited (the "Company"), in connection with the proposed very substantial acquisition and connected transaction relating to acquisitions of the entire equity interests in Present Sino Limited ("Present Sino"). The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purpose only, to provide information about how the transactions under Supplemental Agreement might have affected the relevant financial information of the Company and its subsidiaries (hereinafter collectively referred to as the "Group"). The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages IV-1 to IV-14 of the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

(a) the financial position of the Enlarged Group at 31 December 2009 or any future date; or

(b) the results and cash flows of the Enlarged Group for the year ended 30 June 2009 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to the rule 4.29(1) of the Listing Rules.

Yours faithfully
For and on behalf of
CCIF CPA Limited

Betty Tse
Director

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL SERVICES VALUER

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eight Edition, 2007 (the "IVS") published by the International Valuation Standards Committee and entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication on the report. It is emphasised that the findings and conclusions presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusion. The word valuation has the same meaning as appraisal in the report.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

25 September 2010

The Board of Directors
China Agrotech Holdings Limited
Room 2706, 27th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of China Agrotech Holdings Limited (hereinafter referred to as the "Company"), we have conducted an agreed-upon procedures valuation on the market value of a designated agricultural property asset i.e. stocks of standing trees (hereinafter referred to as the "Subject Asset" and see *Note*) presented to us as held by Shanxi Astro-Wood Bio-Engineering Development Co., Ltd. (hereinafter referred to as "Astro-Wood") and located at Shanxi Province and Beijing, the People's Republic of China (hereinafter referred to as the "PRC" or "China") as at 30 April 2010 (hereinafter referred to as the "Date of Valuation") for the

Note: According to International Valuation Guidance Note No.10 of IVS, agricultural property asset can be classified as land, structural improvement, plant and machinery (attached or not attached to the land) and biological asset (attached or not attached to the land). Biological asset is defined as a living animal or plant.

Company's internal management reference purpose. We confirm that we have carried out inspection, made relevant inquiries and have based our work on a set of documents as supplied by the management of the Company and Astro-Wood to arrive at our valuation. Our findings and conclusion in this valuation are documented in an appraisal report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report to summarise our findings and conclusion as documented in the appraisal report for the purpose of inclusion in a public document at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the appraisal report, and the assumptions and caveats adopted in the appraisal report also apply to this report.

INTRODUCTION

We are given to understand that Astro-Wood was incorporated in the PRC with limited liability and held the Subject Asset in various locations in Shanxi Province and Beijing.

Based on the information provided to us, we understand that Astro-Wood held 10 various Forest Right Certificates (林權證) for the operating rights and forestry management for various plantation lands in Jiao Cheng County, Luliang City, Shanxi Province covering an area of about 12,810.4 Chinese Mu (or "mu" used in this report).

SUMMARY OF FOREST RIGHT CERTIFICATES

No.	No. of Forest Right Certificate	Location	Area (Mu)
1	Jiao Cheng County Lin Zheng Zi (2009) 2306030021	Jiao Cheng County Hong Xiang Township Hong Xiang Village Huai Wan Group Jiao Cheng County Hong Xiang Township Hong Xiang Village Yao Er Tou Group	2,100
2	Jiao Cheng County Lin Zheng Zi (2009) 2307050023	Jiao Cheng County Ling Di Township Sai Shang Village Niu Jia Gou Group	1,880
3	Jiao Cheng County Lin Zheng Zi (2009) 2306080005	Jiao Cheng County Hong Xiang Township Guang Xing Village Huang Ni Group	2,500
4	Jiao Cheng County Lin Zheng Zi (2009) 2307120005	Jiao Cheng County Ling Di Township Qian Zhuang Village Mu Cao Su Jia Zhuang Group	1,150
5	Jiao Cheng County Lin Zheng Zi (2009) 2307070030	Jiao Cheng County Ling Di Township Yao Er Tou Village Bai Ya Tou Group	71.4

No.	No. of Forest Right Certificate	Location	Area (Mu)
6	Jiao Cheng County Lin Zheng Zi (2009) 2307070031	Jiao Cheng County Ling Di Township Yao Er Tou Village Bai Ya Tou Group	432
7	Jiao Cheng County Lin Zheng Zi (2009) 2307050024	Jiao Cheng County Ling Di Township Sai Shang Township Niu Jia Gou Group	220
8	Jiao Cheng County Lin Zheng Zi (2010) 2305150008	Jiao Cheng County Xi She Town Heng Ling Village Yan Li Group	2,350
9	Jiao Cheng County Lin Zheng Zi (2010) 2305130013	Jiao Cheng County Xi She Town Xi She Village Miao Jia Gou Group	922
10	Jiao Cheng County Lin Zheng Zi (2010) 2305140018	Jiao Cheng County Xi She Town Xi She Village Gao Jia Ling Group	1,185
		Total:	12,810.4

We understand that Astro-Wood also rented various parcels of land having a total area of about 8,645.68 mu for plantations in Shanxi Province and Beijing. The details are as follows:

SUMMARY OF RENTED LAND

No.	Location	Area (Mu)
1	Zhangxing Village, Xinghua Town, Fenyang City, Shanxi Province	420
2	Shiligou Village Shitie Town Yuci District Jinzhong City Shanxi Province	6,462
3	Lixiu Village Houcheng Xiang Taigu County Jinzhong City Shanxi Province	343.18
4	Shihou Village Jiaocheng County Luliang City Shanxi Province	1,001
5	Xishuiquan Village and Hezhuang Village, Shunyi District, Beijing	419.5
	Total:	8,645.68

In conducting our valuation, we were provided with a forestry survey report (hereinafter refer to as the "Forestry Report") prepared by 太原市林業調查規劃院 and translated as Taiyuan School of Forestry Investigation and Planning (hereinafter refer to as "TSFIP") (see *Note*) and we were instructed to base our valuation on the data and information given in this report since we are not authorised person to conduct forestry survey in China and the enormous resources required in conducting a detailed inspection and survey.

According to the Forestry Report, the Subject Asset is located in above-mentioned areas comprising standing trees of mostly Lacebark Pine (also known as Pinus Bungeana), Platyeladas Orientalis, Zizyphus Jujube, Acer Truncatum Bunge and other species. The total numbers of various species was estimated at 12,414,670 with about 6,920,858 attributable to Lacebark Pine.

To the best of our understanding, the TSFIP followed 山西省森林資源二類調查技術方案 and translated as Forest Resources Category 2 Investigation Technical Approach to conduct their survey. They also formulated their investigation guideline for this forestry survey.

The purpose of the forestry survey is to confirm the boundary of the forests, types of tree, numbers of tree, dimension of the trees and growth status of the trees.

TSFIP adopted different methods to conduct the survey at different locations. For the ten forest lands in Jiao Cheng County, they used 1:10,000 map as their working map and used the global positioning system to determine the boundary of the forests. The selected forest was divided into different sub-plot areas for detail survey. Thiessen Ploygon Method is adopted to determine the numbers of tree in each sub-plot area.

For the plantation and nursery ground in Zhangxing Village, Shiligou Village, Lixiu Village, Shihou Village, Xishuiquan Village and Hezhuang Village, TSFIP adopted the on-site counting and sampling method. For those tree species with small quantity, TSFIP conducted the actual counting. For those densely-growth tree species, sampling method was adopted for survey.

DESCRIPTION

Shanxi Province

Shanxi Province is located in the northern part of China. Shanxi borders Hebei to the east, Henan to the south, Shaanxi to the west, and Inner Mongolia to the north. The capital of the province is Taiyuan. It covers an area of about 156,800 km^2.

Note: We understand that TSFIP is a governmental body which is responsible for policy planning, management and monitoring, research and development, survey and inspection, investigation and patrol of the local forestry resources, wood production and trading activities of Taiyuan City. Officials of national professional qualifications perform site survey and inspection covering the whole forestry and woodland areas of Taiyuan City.

Presently, Shanxi is divided into eleven prefecture-level divisions, subdivided into 119 county-level divisions. Shanxi is a leading producer of coal in China. Industries in Shanxi are centered on heavy industries such as coal and chemical production, power generation, and metal refining.

Shanxi has a continental monsoon climate, and is rather arid. Important crops in Shanxi include wheat, maize, millet, legumes, and potatoes. Arid climate and dwindling water resources limit agriculture in Shanxi. Winters are long, dry, and cold, while summer is warm and humid. Spring is extremely dry and prone to dust storms. Shanxi is one of the sunniest parts of China; early summer heat waves are common. Annual precipitation averages around 350-700 mm, with 60% of it concentrated between June and August.

Beijing

Beijing is a metropolis in northern China and the capital of China. Governed as a municipality under direct administration of the central government, Beijing borders Hebei Province to the north, west, south, and for a small section in the east, and Tianjin Municipality to the southeast.

Beijing is divided into 16 urban and suburban districts and two rural counties. Finance is one of the most important industries of Beijing. Major industrial areas include Shijingshan, located on the western outskirts of the city. Agriculture is carried out outside the urban area of Beijing, with wheat and maize (corn) being the main crops. Vegetables are also grown in the regions closer to the urban area in order to supply the city.

The city's climate is a monsoon-influenced humid continental climate, characterised by hot, humid summers due to the East Asian monsoon, and generally cold, windy, dry winters that reflect the influence of the vast Siberian anticyclone. The average daytime high temperature in January is 1.6 °C (34.9 °F), while the same figure for July is 30.8 °C (87 °F). Annual precipitation is around 580 mm, and the majority of it falls in the summer months. The highest temperature ever recorded was 42 °C (108 °F) and the lowest recorded was –27 °C (–17 °F).

SUBJECT ASSET – TREE SPECIES

The major tress species include Pinus Bungeana, Platycladus Orientalis, Zizyphus Jujube and Acer Truncatum Bunge.

Lacebark Pine (also known as Pinus Bungeana) is a pine tree native to northeastern and central China. It is a slow-growing tree to 15-25 m tall. Its smooth, grey-green bark gradually sheds in round scales to reveal patches of pale yellow, which turn olive-brown, red and purple on exposure to light. It is used as an ornamental plant in East Asian classical garden where it symbolizes longevity.

Platycladus Orientalis also known as Chinese Arborvitae or Biota is native to northwestern China and widely naturalised elsewhere in Asia. It is a small, slow-growing tree, to 15-20 m tall and 0.5 m trunk diameter (exceptionally to 30 m tall and 2 m diameter in very old trees). The foliage forms in flat sprays with scale-like leaves 2-4 mm long. The cones are 15-25 mm long, green ripening brown in about 8 months from pollination, and have 6-12 thick scales arranged in opposite pairs. The seeds are 4-6 mm long, with no wing. It is very widely used as an ornamental tree, both in its homeland, where it is associated with long life and vitality, and very widely elsewhere in temperate climates.

Zizyphus Jujube commonly called Jujube, Red Date, or Chinese Date, is a species of Zizyphus in the buckthorn family Rhamnaceae, used primarily for its fruits. It is a small deciduous tree or shrub reaching a height of 5-10 m, usually with thorny branches. The leaves are shiny-green, ovate-acute, 2-7-cm wide and 1-3-cm broad, with three conspicuous veins at the base, and a finely toothed margin. The flowers are small, 5-mm wide, with five inconspicuous yellowish-green petals. The tree tolerates a wide range of temperatures and rainfall, though it requires hot summers and sufficient water for acceptable fruiting. Unlike most of the other species in the genus, it tolerates fairly cold winters, surviving temperatures down to about -15°C. This enables the Jujube to grow in desert habitats, provided there is access to underground water through the summer.

Acer Truncatum Bunge (Shantung Maple, Shandong Maple, or Purpleblow Maple) is a maple native to northern China, in the provinces of Gansu, Hebei, Henan, Jiangsu, Jilin, Liaoning, Inner Mongolia, Shaanxi, Shandong, Shanxi, and also Korea. It is a medium-sized deciduous tree growing to 15 m tall with a broad, rounded crown. The bark is smooth on young trees, becoming shallowly ridged with age. Shantung Maple is grown as an ornamental plant.

Commercially, the species are used for ornamental plant and also for greenery purpose. The major customers of the species including landscaping companies, construction companies and government departments.

BASIS OF VALUE

The Subject Asset is valued on market value basis on the premises of continued use. The continued use premise assumes that the Subject Asset will be used for the purpose for which it was conceived or is currently carried out. The term "Market Value" is defined by the IVS as "the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion". (See *Note*)

Implicit in this definition is the fact that one would not pay more than one would have to pay for an equally desirable alternative.

Market value in continued use is not intended to represent the amount that might be realised from piecemeal or break-up disposition of each of the trees in the open market or for other alternate use.

Note: Some forestry valuers referred the term "Market Value" as "the estimated amount of money that would be received for immediate sale of assets" and this value is "the price a buyer is willing to pay for a tree species at a specific time", or simply referred by some forestry valuers as liquidation (stumpage) value.

We further assumed that, subject to the above definition, both the buyer and the seller seeking their maximum economic self-interest in arriving at an arm's-length transaction.

VALUATION PROCEDURES ADOPTED

In performing the valuation of the Subject Asset, we have adopted the following procedures which were agreed with the management of the Company before the engagement. They were:

- to read and based on the content of the supplied materials such as the Forestry Report to arrive at our opinion. In the course of the valuation, we will assume the supplied data and information are correct and we will not ascertain the correctness of the information that contained in the supplied materials;

- to prepare and submit list(s) of required document and information regarding the Subject Asset during the course of valuation. The completeness of the valuation depends on the availability of the required information being supplied by the management of the Company;

- to conduct limited scope of sampling inspection of the Subject Asset at location(s) designated by the Astro-Wood. The purpose of the inspection is to have a better understanding of the nature of the Subject Asset and we will not conduct any form of verification or stock take work;

- to hold discussions with relevant personnel and to review various documents such as the Forestry Report in order to have a better understanding on the Subject Asset and the present use of the Subject Asset as part of a going-concern business of Astro-Wood;

- to conduct appropriate research/consultation in order to obtain sufficient industry information to support our valuation. The scope of research/consultation is at the valuers own discretion;

- based on the information provided by the owner of the Subject Asset, to conduct valuation for the Subject Asset on "as-is, where-is" basis with appropriate standards and approach to value as at the Date of Valuation; and

- to document our findings and conclusion in our appraisal report.

VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that, as at the Date of Valuation,

1. the legally interested party in the Subject Asset sells the Subject Asset in its highest and best form in the market without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the Subject Asset;

2. the legally interested party in the Subject Asset has free and uninterrupted rights to assign the interests (a part of or the whole of) for the whole of the unexpired terms as granted and any premiums payable have already been fully paid;

3. all required licenses, certificates, consents, or other legislative or administrative authority from any local, provincial, or national government or private entity or organisation have been or can readily be obtained or renewed for any use on which the value estimates contained in our report are based;

4. unless otherwise stated, the Subject Asset under the management of Astro-Wood can be freely disposed and transferred free of all encumbrances for its existing or approved uses in the market to both local and overseas purchasers without payment of any premium to the government;

5. the legally interested party in the Subject Asset has adopted reasonable and necessary security measures and has considered several contingency plans against any disruption (such as fire, insects and soil erosion) to the Subject Asset and the proper usage of the Subject Asset.

Should this not be the case, it will have adverse impact to the reported value.

FACTORS CONSIDERED IN THE VALUATION

Unless otherwise stated, the valuation of the Subject Asset has taken account of all pertinent factors affecting the Subject Asset and its ability to generate value to Astro-Wood. The factors considered in the appraisal included, but were not limited to, the following:

- the nature and the characteristics of the Subject Asset;
- the present use of the Subject Asset;
- the forestry industry in China and the world as a whole;

- the capability of Astro-Wood or its associates or contractors to harvest the inventory of the Subject Asset relatively soon; and

- the risks facing the Subject Asset.

ESTABLISHMENT OF TITLE

Due to the market value basis of valuation, the management of the Company provided us the necessary documents to support that the legally interested party in the Subject Asset has free and uninterrupted rights to assign a part of or the whole of the Subject Asset (in this instance, an absolute title) free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed. However, our procedures to value, as agreed with the management of the Company, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the Subject Asset from the relevant authorities.

For the sake of the valuation, we have been provided with copies of the document regarding the ownership of the Subject Asset. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal title and the rights (if any) to the Subject Asset valued. Any responsibility for our misinterpretation of the documents cannot be accepted. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the Subject Asset.

We have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copy of the PRC legal opinion as provided by the Company with regard to the existing legally interested party in the Subject Asset. We are given to understand that the PRC legal opinion (the "Legal Opinion") dated 20 September 2010 was prepared by Gaopeng and Partners, lawyers qualified to practice in China, regarding the Subject Asset. No responsibility or liability is assumed in relation to the Legal Opinion.

Title and the licence rights to the Subject Asset are assumed to be good and marketable. We have assumed that the Subject Asset is freely disposable and transferable in the open market to both local and overseas purchasers without payment of any premium to the government.

In our valuation, we have assumed that the legally interested party in the Subject Asset has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue the ownership of the Subject Asset or to transplant or to sell. Should this not be the case, it will affect our conclusion in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTION AND INVESTIGATION OF THE SUBJECT ASSET

We have, where possible, conducted limited scope visual inspection of the Subject Asset in respect of which we have been provided with such information as we have requested for the purpose of our valuation. Due to physical barrier, we were unable to conduct detail due diligence on the current occupation status of the said asset, and thus relied extensively on the information provided by the management of Astro-Wood and the Company. No verification from our part is assumed. Due to the agreed-upon procedures basis, we were unable to inspect those assets which were covered, unexposed or inaccessible or not being arranged for inspection. We cannot express an opinion about or advice upon the condition of the Subject Asset and this report should not be taken as making any implied representation or statement about the conditions of the Subject Asset. No structural survey, investigation, conditional survey, test or examination has been made to the Subject Asset, but in the course of our limited inspection we did not note any serious defects in the asset inspected. We are not, however, able to report that the Subject Asset is free from rot, insect, infestations or any other defects. No tests were carried out to the services (if any) and we are unable to identify those services covered, unexposed or inaccessible.

Our valuation has been made on the assumption that no unauthorised plantation, extension, illegal usage or addition has been made to the Subject Asset, and that the use of our report does not purport to be a conditional survey of the Subject Asset. If the management of the Company is proposing to purchase the Subject Asset and wants to satisfy them as to the condition of it, then the management of the Company should obtain a third party surveyor's detailed inspection and report of their own before deciding whether or not to enter into an agreement for sale and purchase.

The purpose of our inspection was not to create an error free assets schedule or to have a full scope investigation on the quantity and the quality of the Subject Asset; rather, it was designed to give us a better understanding of the Subject Asset on a sampling basis. No responsibility or liability is assumed.

We have not carried out on-site measurements to verify the correctness of the dimensions, specifications and areas of the Subject Asset, but have assumed that the figures shown on the documents and handed to us are correct. All dimensions, measurements, specifications and areas are approximations.

Our engagement and the agreed procedures to value did not include an independent land survey to verify the legal boundaries and the exact locations of the Subject Asset. Therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries and location of the Subject Asset that appeared on the documents handed to us and advised by the Astro-Wood's appointed personnel. The management of the Company or interested party in the Subject Asset should conduct their own legal boundaries due diligence work.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the subject land and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the subject land. We have not carried out any investigation into past or present uses, either of the said assets or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the subject land from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the subject land or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

APPROACH TO VALUE

In the process of valuing the Subject Asset, we have considered the three generally accepted asset appraisal approach to value, namely the Market Approach, the Income Approach and the Cost Approach.

The *Market Approach* considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

The *Income Approach* is the present worth of the future economic benefits of ownership. This approach is generally applied to assets where there is an established and identifiable economic benefits market such as rental income or royalty income or to an aggregation of assets in an entire business enterprise/project including working capital and tangible and intangible assets.

The *Cost Approach* considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transportation, cutting, commissioning and consultants' fees. Adjustment is then made for accrued depreciation from physical deterioration, condition, utility, age, functional and economic/external obsolescence.

Based on the IVS and the normal practice to value standing trees, the market-based comparable method i.e. the Market Approach has been adopted in valuing the stocks of standing trees. This method uses the present market value in terms of price per tree as basis for coming up with the estimated value. The underlying theory of this approach is existing market price is dependable parameter since it reflects how much the buyer is willing to pay and how much the seller is willing to give up his goods and services.

Based on the valuation procedures agreed with the Company prior to the commencement of our valuation and on the data gathered from the Astro-Wood's appointed personnel and outside sources, we have adopted the Market Approach in conducting our valuation. In using the Market Approach we have used the following formula to arrive at the estimated market value:

$MV = \sum (T*P)$

Where:

MV	Market value
T	Total number of each tree species
P	Market price of each tree species

The valuation method is limited to the following basic assumptions:

- That the end product or the market being assessed are for trees;
- The T considered in our valuation is based on the survey report; and
- The prices for each species are homogenous and the average price for each species was used as valuation basis.

Prices for each species were taken from our interview with relevant Astro-Wood's appointed personnel, official construction cost journals, local practitioners, and forestry products industry information in China from various websites in the public domain or from researchers. No allowances for transportation for this cost are normally paid for by the buyer. However, the market prices adopted are after allowance for the uprooting and loading.

In valuing several species planted or purchased recently, we have adopted the Cost Approach due to little biological transformation that has taken place from the time they were planted or purchase to the Date of Valuation and the impact of the biological transformation on the price of the saplings is not material based on the planned rotation of the tree (see *Note*). In using the Cost Approach, we have adopted the costs incurred as at the Date of Valuation as well as units costs provided by the Company since our independent research indicates that their unit costs are within reasonable range for the type of saplings being planted, purchased, terrain and locality. Costs included in our valuation comprise sapling cost, land rental, management cost, planting cost and fertilizer cost.

Note: According to HKAS 41, paragraph 24, "Cost may sometimes approximate fair value, particularly when a) little biological transformation has taken place since initial cost incurrence (for example, for fruit tree seedlings planted immediately prior to balance sheet date); or b) the impact of the biological transformation on price is not expected to be material (for example, for the initial growth is a 30-year pine plantation production cycle)."

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

No allowance has been made in our valuation for any charges, mortgages, outstanding premium or amounts owing on the Subject Asset. Also, unless disclosed in this valuation, no allowance has been made in our valuation for any expenses or depreciation or taxation, which may be incurred in effecting a sale of the Subject Asset. Unless otherwise stated, it is assumed that the Subject Asset is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

We are unable to identify any adverse news against the Subject Asset which may affect the reported value in our report as at the date of this report. Thus, we are not in the position to report and comment on its impact (if any) to the Subject Asset. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the value reported herein.

There are a number of factors that influence the prices of various tree species apart from seasonal price fluctuations. These factors may affect the size and quality of product, the market prices of the product and other external factors. They are:

Presence of natural defects in the wood

Presence of internal and external defects on the wood also affects the quality and size of the trees. The estimated volume per tree will decrease depending on the extent of the defects. These factors may be brought by natural (pests and diseases) and physical causes (damage).

Defects of the trees comes in many forms, these are:

- **Physical defects –** which is brought about by handling of trees;

- **Rot –** Rots, moisture availability is a factor that increases the risk of rot. Fungal growth and infection are dependent on these factors. Because of the dry weather conditions in Shanxi Region, the risks of spread of disease and rotting is a small factor, and

Calamities

The presence of calamities is a factor that reduces the volume in forest stands. Strong winds brings with it increases risk of damage and mortality of the trees.

Time

The price of the product is estimated using its current prices, which is only suitable for the present. While the market prices would be different based on cutting season, trends, costs, interest rates and time value of money, we did not allow for these factors due to lack of reliable data to forecast these changes.

Theft of Stocks

Due to preventive measures taken by Astro-Wood, we view that loss of stocks due to theft in this case is not a major factor.

Buyers' preference

Most buyers prefer trees grow in good shape and appearance and with suitable diameter measurements. In taking this into consideration, we have adopted reasonable price adjustment between tree age and size in our valuation.

The scope of valuation has been determined with reference to the documents provided by and instruction given by the management of the Company.

SOURCES OF INFORMATION AND VERIFICATION

For the purpose of this appraisal, we were furnished with various copies of document related to this appraisal and these copies have been referenced without further verifying with the relevant bodies and/or authorities. We need to state that we are not attorney of laws by nature, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company. No responsibility is assumed.

In the course of valuation, we have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, locations, quantities, easements, tenure, occupation, specifications, site areas and all other relevant matters.

Our procedures to value did not include undertaking a feasibility study of the proposed expansion of the Subject Asset. Accordingly we do not express an opinion as to the merit or demerit of any future expansion (if any).

Our engagement did not include an independent forestry survey to verify the information provided. We need to state that we are not in the forestry survey profession, therefore, we are not in the position to verify or ascertain the correctness with regard to the information provided. No responsibility is assumed.

We are not contracted to conduct a due diligence to review the existing forestry industry in China. In the course of appraisal, we have solely depended on the advices given by the management of the Company and its legal advisor as named in this report. We are unable to accept any responsibility for the reliability of the advice.

When we adopted the work products from other professions, external data providers and/or the management of the Company in our valuation, the assumptions and caveats adopted by them in arriving at their opinions also apply in our valuation. The procedures we have taken do not require us to examine all the evidences, like an auditor, in reaching at our opinion. As we have not performed an audit, we are not expressing an audit opinion in our valuation.

Unless otherwise stated, the base currency of our report is Renminbi Yuan ("RMB").

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. Our analysis and appraisal are based upon full disclosure between us and the management of Company of material and latent facts that may affect the appraisal. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

LIMITING CONDITION OF THIS SUMMARY REPORT

This report is provided strictly for the sole use of and valid to the Company. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in a circular to the Company's shareholders' reference.

We understand that the management of the Company will use our work product as part of its business diligence and we have not been engaged to make specific purchase or sale recommendations or to give opinion on financing arrangement. We further understand that the management of the Company will not rely solely on our work, and that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision. Our work is designed solely to provide information that will give the management of the Company a reference to form part of its internal business due diligence, and our work should not be the only factor that considered by the management of the Company.

Our opinion of value in this report is valid only for the stated purpose and only for the Date of Valuation. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or change of government policy or financial condition or other conditions, which occur subsequent to the date hereof.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

OPINION OF VALUE

Based on the investigation, analysis, stated assumptions, limitations, reasoning and data outlined as above, and on the appraisal method employed, it is our opinion that as of the Date of Valuation the market value of the Subject Asset (before taking into consideration any transaction costs) was reasonably stated by the amount of **RENMINBI NINE HUNDRED AND SIXTY THREE MILLION YUAN ONLY (RMB 963,000,000.00).**

STATEMENT

The concluded value in our report is based on generally accepted appraisal procedures and practices that rely extensively on assumptions and considerations, not all of which can be easily quantified or ascertained exactly. While we have exercised our professional judgement in arriving at the appraisal, the readers are urged to consider carefully the nature of such assumptions which are disclosed in our report and should exercise caution in interpreting our report.

Our valuation is prepared in line with the guidelines as contained in the IVS. Also, we have followed the requirements as contained in Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited to obtain a valid legal opinion on the title of the Subject Asset. The valuation has been undertaken by valuers (see End Notes), acting as external valuers, qualified for the purpose of the valuation.

We retain a copy of this report in our files, together with the data from which it was prepared. These data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of our report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interest in the Subject Asset, the Company and Astro-Wood.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Ho Chin Choi, Joseph *BSc PgDip RPS(GP)*
Managing Director

Contributing Valuers:
Rolando Arcaya *BSME ASA*
Martin A. Talento *BSc MSc Forester*

Qualification Statements of the Valuers:

1. *Mr. Joseph Ho Chin Choi has been conducting asset valuations and advisory work in Hong Kong, Macau, Taiwan, mainland China, Japan, South East Asia, Australia, Finland, Germany, Poland, Scotland, Argentina, Brazil, Guyana, Canada and the United States of America for various purposes since 1988. He obtained the Examination Certificate of the Uniform Standards of Professional Appraisal Practice issued by the American Society of Appraisers in 1996. He has extensive experience in the valuation of various types of intangible assets and power plants, toll road, health products and foodstuffs, minerals, agricultural property assets, financial services, luxurious consumer goods, pharmaceutical and biotechnology, electronic consumer products manufactory, telecommunication, media and information technology related businesses for the listed companies in Hong Kong, Taiwan, mainland China, Singapore, Malaysia, the United Kingdom, Canada and the United States of America. At present, he is a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by the Hong Kong Institute of Surveyors.*

2. *Mr. Rolando R. Arcaya is an Accredited Senior Member (ASA) of the American Society of Appraisers in the discipline of machinery and equipment valuation. He specializes in the valuation of machinery and equipment in power projects, light and heavy industrial manufacturing plants, consumer products manufacturing, forest products manufacturing and special assets like stock and inventories of agricultural assets. He has over 20 years of valuation experience of which over 18 years were spent in Hong Kong. Over the length of his valuation experience, he has valued and managed the valuation of inventory of man-made forests and a number of forest product related industries like veneer and plywood plants, paper manufacturing plants, and logging concessions located in the Philippines. He has also valued a number of forests (natural and man-made), paper and wood processing plants in China for various purposes.*

3. *Mr. Martin A. Talento is a geographical information systems (GIS) analyst in Victoria, Australia. He obtained his Bachelor of Science in Forestry (Major in Social Forestry and Forest Governance) from University of the Philippines, Masters in Environment and Natural Resources from University of the Philippines Open University, Management major in Upland Management (Senator Francis Pangilinan scholarship grantee -continuing) from University of the Philippines Open University and undergraduate units in Forest Products Engineering in the University of the Philippines. He has more than 5 years experience in forest industry and environmental studies. In the Philippines, he have worked in various companies as forestry specialist in the preparation of forest resources management plans, Environmental Impact Assessment (EIA) studies, and issuance of Resource Use Permit for timber harvesting in Community Forestry projects. He is an expert in the application of GIS technology in forest and land valuation, sustainable resource allocation and planning, and in the review of regional forest agreements. He has facilitated trainings for in the use of GPS for forest surveys, formulation of community management frameworks for local cooperatives, forest mensuration and setting up of biological and threat monitoring systems. He has valued various forests in China and Guyana for various purposes.*

1. Valuation Report on Property Interests of the Group

The following is the text of letter, summary of values and valuation certificate on property interests of the Group as at 30 June 2010 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL SERVICES VALUER

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuation Standards, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication on the report. It is emphasised that the findings or conclusion of values presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its valuations.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

25 September 2010

The Board of Directors
China Agrotech Holdings Limited
Room 2706, 27th Floor
China Resources Building
No. 26 Harbour Road
Wan Chai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of China Agrotech Holding Limited (hereinafter referred to as the "Company") to us to value certain property interests presently held by the Company or its subsidiaries (collectively, together with the Company hereinafter referred to as the "Group") in the People's Republic of China (hereinafter referred to as the "PRC" or "China") and to report the existing status of certain property interests presently rented by the Group in the PRC and Hong Kong, we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings or conclusion of values of the property interests as at 30 June 2010 (hereinafter referred to as the "Date of Valuation") for the Company's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Company's due diligence but we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision regarding the subject properties. Our work is designed solely to provide information that will give a reference to the management of the Company as part of its due diligence process, and our work should not be the only factor to be referenced by the Company. Our findings or conclusion of values in these properties are documented in a valuation report and submitted to the Company at today's date.

At the request of the management of the Company, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings or conclusion of values as documented in the valuation report for the purpose of inclusion in this circular at today's date for the Company's shareholders' reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also apply to this summary report.

VALUATION OF CERTAIN PROPERTY INTERESTS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our opinion of values of the properties in Group I on the market value basis.

The term "Market Value" is defined by the IVS and the HKIS Standards as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations of the property interests in Group I have been made on the assumption, that, as at the Date of Valuation,

1. the legally interested party in each of the properties has absolute title to its relevant property interest;

2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premiums payable have already been fully paid;

3. the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the subject property interest;

4. the properties have obtained relevant government's approvals for the sale of the properties and are able to dispose and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. the properties can be freely disposed of and transferred free of all encumbrances at the Date of Valuation for its existing uses in the market to both local and overseas purchasers without payment of any premium to the government.

Should this not be the case, it will have adverse impact to the values as reported.

Based on the purpose of this engagement and the market value basis of valuation, the management of the Company was requested to provide us the necessary documents to support the Group's titles to the properties and that the Group has free and uninterrupted rights to assign, to mortgage or to let its relevant property interests (in this instance, an absolute title) for the whole of the unexpired terms as granted.

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

Having considered the general and inherent characteristics of Property No. 1 in Group I, we have adopted the depreciated replacement cost ("DRC") approach which is an application of the Cost Approach in valuing specialised properties like this property. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use right of this property has been determined from market-based evidences by analysing similar sales or offerings or listings of comparable properties.

The valuation of this property is on the assumption that the property is subject to the test of adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the date of valuation, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the date of valuation, the work having commenced at the appropriate time.

We need to state that our opinion of value of Property No. 1 in Group I is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various buildings of the property on piecemeal basis in the open market.

In valuing Property Nos. 2 to 5 in Group I, we have adopted the Sales Comparison Approach on the assumption that the properties were sold with the benefit of vacant possession as at the Date of Valuation. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

Unless otherwise stated, we have not carried out any valuation on a redevelopment basis to the properties and the study of possible alternative development options and the related economics do not come within the scope of our work.

REPORTING OF CERTAIN RENTED PROPERTY INTERESTS

Properties in Groups II and III are subject to leasehold arrangements, and we have assigned no commercial values to such property interests due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents. In accordance with Practice Note No. 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, we have excluded full text of the report of such property interests from the attached valuation certificate.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the document as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve our rights to revise our report and the valuation(s) accordingly.

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties valued nor any expenses or taxation which may be incurred in affecting a sale for properties in Group I. Unless otherwise stated, it is assumed that the properties in Group I are free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

In our valuations, we have assumed that the properties in Group I are able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the properties which may affect the reported findings or conclusion of values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Date of Valuation, we reserve the right to adjust the findings or conclusion of values reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the management of the Company provided us the necessary copies of document to support that the legally interested party in the properties, i.e. the Group, has free and uninterrupted rights to transfer OR use the property interests free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed (if any). However, we have not inspected the original documents to verify ownership and encumbrances, or to ascertain the existence of any amendment which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the subject properties. Any responsibility or liability for our misinterpretation of the documents cannot be accepted.

We have caused searches to be made at the Land Registry regarding the property in Hong Kong in Group III. We are unable to accept any responsibility for the information that contained in the search, or any liabilities against the property which were unrecorded at the time of our searches.

Due to the inherent defects in the land registration system of China, we are unable to search the original title documents of the properties in Groups I and II from the relevant authorities to verify legal titles or any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, and relied solely on the copies of document provided by the Company and the copy of PRC legal opinions as provided by the Company with regard to the titles of the properties in Group I. We are given to understand that the PRC legal opinions was prepared by a qualified PRC legal adviser 福建至理律師事務所 Fujian Zenith Law Firm on 13 August 2010 and 21 September 2010. No responsibility or liability is assumed in relation to those legal opinions or documents.

In our report, we have assumed that the Group has obtained all the approval and/or endorsement from the relevant authorities to own or to use the subject properties, and that there would be no legal impediment (especially from the regulators) for the Group to continue the legal titles to the subject properties. Should this not be the case, it will affect our findings or conclusion of values in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

Except some rented properties in Group II, we have conducted inspection to the exterior, and where possible, the interior of all the remaining properties in respect of which we have been provided with such information as we have requested for the purpose of this engagement. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the building utilities (if any) and we are unable to identify those services covered, unexposed or inaccessible.

We have assumed that no unauthorised alteration, extension or addition has been made in the properties, and that the inspections and the use of this report do not purport to be a building survey or conditional survey of the properties.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigation would not disclose the presence of any such material to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have been instructed to assume that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported or our findings.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

In the course of our work, we have been provided with copies of the document regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company.

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, rental, letting, occupation, site and floor areas and all other relevant matters.

The scope of valuation has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in our valuations. The management of the Company has confirmed to us that it has no property interest other than those specified on the list supplied to us.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external data providers and the management of the Company in our works, the assumptions and caveats that adopted by them in arriving at their figures also apply in our works. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. We have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis or valuations are based upon full disclosure between us and the management of the Company of material and latent facts that may affect our work.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Hong Kong dollars ("HK$"). In valuing the properties in the PRC in Group I, the adopted exchange rate was the prevailing rate as at the Date of Valuation, being Renminbi Yuan (RMB) 0.87 per HK$1. And no significant fluctuation in exchange rate has been found between the Date of Valuation and the date of this summary report.

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our findings or conclusion of values of the properties in this summary report are valid only for the stated purpose and only for the Date of Valuation, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this circular to the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our report except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is prepared in line with the requirements contained in Chapter 5 and Practice Note Nos. 12 and 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as well as the guidelines contained in both the IVS and HKIS Standards. The valuations have been undertaken by valuers (see End Notes), acting as external valuers, qualified for the purpose of the valuations.

We retain a copy of this summary report and the detailed valuation report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the properties depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or conclusion of values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of values and we have no significant interest in the properties, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui
B.Sc. M.Sc. RPS(GP)
Director

Yuki Chan Wan Yuk
BCom RPS(GP)
Associate Director

Contributing valuers:
Terry Fung Chi Hang *B.Sc. M.Sc.*
Leslie Wong Tak Chiu *B.Sc. BBA.*

Notes:

1. Ms Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 11 years of experience in valuing properties in mainland China. She is a Member of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by the HKIS.

2. Ms Yuki Chan Wan Yuk is a Member of The HKIS, an Associate Member and a Certified Practising Valuer of The Australian Property Institute, who has 5 years of experience in valuing properties in Hong Kong and over 3 years of experience in valuing properties in the PRC.

3. Mr. Terry Fung Chi Hang is a graduated surveyor who has been involved in valuation of real estate properties both in Hong Kong and the PRC for more than 5 years. He obtained a Master Degree in Real Estate and involved in various assets valuations, mine valuation and agriculture property assets valuation.

4. Mr. Leslie Wong Tak Chiu is a graduated surveyor who has been involved in valuation of real estate properties both in Hong Kong and the PRC for more than 4 years. He obtained a Bachelor Degree in Estate Management and in Business Administration and involved in various assets valuations, mine valuation, toll road valuation and agriculture property assets valuation.

SUMMARY OF VALUES

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

	Property	Amount of valuations in its existing state as at 30 June 2010	Interest of the Group	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
1.	A factory complex erected on a parcel of land known as "S8 East" and located at Jiangyin Chemical Industrial Zone Jiangyin Town Fuqing City Fujian Province The PRC 330000	HK$48,600,000	100 per cent.	HK$48,600,000
2.	A commercial unit known as No. 110 on Level 1 of Si Dan Yuan, Block No. 7 Agriculture Trade Market Dongjiao Village Wuling District Changde City Hunan Province The PRC	HK$200,000	70 per cent.	HK$140,000
3.	A residential unit known as No. 205 on Level 2 of Si Dan Yuan, Block No. 7 Agriculture Trade Market Dongjiao Village Wuling District Changde City Hunan Province The PRC	HK$150,000	70 per cent.	HK$105,000

	Property	Amount of valuations in its existing state as at 30 June 2010	Interest of the Group	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
4.	A commercial unit known as No. 1 on Level 1 of Block No. 3 No. 35 Wujia Taizi Yijia Bay Yuetang District Xiangtan City Hunan Province The PRC	HK$210,000	100 per cent.	HK$210,000
5.	A residential unit known as No. 3301 on Level 3 of Block No. 3 No. 35 Wujia Taizi Yijia Bay Yuetang District Xiangtan City Hunan Province The PRC	HK$170,000	100 per cent.	HK$170,000
	Sub-total:	HK$49,330,000		HK$49,225,000

Group II – Properties occupied by the Group under various operating leases in the PRC

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
6.	Portion of Unit 102, Block 5 Jiahua New Town Guangfeng Ting Street Gulou District Fuzhou City Fujian Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
7.	Portion of Level 29 Zhongshan Building No. 152 Hudong Road Fuzhou City Fujian Province The PRC	No Commercial Value
8.	Portion of Level 29 (the remaining portion of Property No. 7) Zhongshan Building No. 152 Hudong Road Fuzhou City Fujian Province The PRC	No Commercial Value
9.	Eastern Portion of Level 31 Zhongshan Building No. 152 Hudong Road Fuzhou City Fujian Province The PRC	No Commercial Value
10.	Southern Portion of Level 31 Zhongshan Building No. 152 Hudong Road Fuzhou City Fujian Province The PRC	No Commercial Value
11.	Western Portion of Level 31 Zhongshan Building No. 152 Hudong Road Fuzhou City Fujian Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
12.	Northern Portion of Level 31 and Car Parking Space No. 17 on Basement 1 Zhongshan Building No. 152 Hudong Road Fuzhou City Fujian Province The PRC	No Commercial Value
13.	4 various units on Level 1 Putian Agriculture Technology Training Centre No. 662 Fengban Wenxian Road Chengxiang District Putian City Fujian Province The PRC	No Commercial Value
14.	Portion of No. 3 Warehouse in Jia Er Wo Fu Hefei Co. Ltd. Xiaojiao Industrial Park Meilie Economic Development Zone Sanming City Fujian Province The PRC	No Commercial Value
15.	3 various Car Parking Spaces located at No. 79 Xinshi Road South Sanyuan District Sanming City Fujian Province The PRC	No Commercial Value
16.	A logistics warehouse located at No. 79 Xinshi Road South Sanyuan District Sanming City Fujian Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
17.	Portion of a logistics warehouse located at No. 79 Xinshi Road South Sanyuan District Sanming City Fujian Province The PRC	No Commercial Value
18.	Office No. 203 on Level 2 No. 79 Xinshi Road South Sanyuan District Sanming City Fujian Province The PRC	No Commercial Value
19.	Office No. 204 on Level 2 No. 79 Dongxia Road South (also known as Xinshi Road South) Sanyuan District Sanming City Fujian Province The PRC	No Commercial Value
20.	Office Nos. 205-209 on Level 2 No. 79 Xinshi Road South Sanyuan District Sanming City Fujian Province The PRC	No Commercial Value
21.	Unit No. 1301 on Level 13 Long Jiang Fu Cheng Jiangbin Road Zhangzhou City Fujian Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
22.	Unit No. 7 of Block No. 43-1 Nan Tie Bei 2 District Nanning City Guangxi Province The PRC	No Commercial Value
23.	An office unit located at No. 397 Haikou Xin Da Dao Hainan Province The PRC	No Commercial Value
24.	Warehouse Nos.11 – 18 Warehouse Center Block No. 7 Wuling Agricultural Material Business Market Changde City Hunan Province The PRC	No Commercial Value
25.	Level 7 of Southern Block Portion Huoju City M0 Group New-Tech-Industrial Development Zone Changsha City Hunan Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
26.	Room No. 601, Level 6 Block No. 9 Golden Mountain Villa Village Yinpen Mountain Yuelu District Changsha City Hunan Province The PRC	No Commercial Value
27.	Room No.903, Level 9 Yi Dan Yuan, Tower 4 Golden Mountain Villa Yinpen Road Yuelu District Changsha City Hunan Province The PRC	No Commercial Value
28.	Room No. 601, Level 6 Block No. 3 Taohua New Village Taohua Committee Economic Development Zone Huafei City Jiangsu Province The PRC	No Commercial Value
29.	A commercial unit known as No. 75 Fertilizer Market Trading Zone No. 147 Hai Lian Road East Lianyungang City Jiangsu Province The PRC	No Commercial Value
30.	Unit B, Level 16 Huawei Building No. 107 Si Gu Road Nanjing City Jiangsu Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
31.	A factory complex located at No. 313 County Road Dongxiang County Fuzhou City Jiangxi Province The PRC	No Commercial Value
32.	An office building located at No. 313 County Road Dongxiang County Fuzhou City Jiangxi Province The PRC	No Commercial Value
33.	8 parcels of farm land located at Wangtuo Village Bei Jing Zi District Donggang City Liaoning Province The PRC	No Commercial Value
34.	3 parcels of farm land located at San Dao Wa Village Dragon King Temple District Donggang City Liaoning Province The PRC	No Commercial Value
35.	An office unit on each of Levels 2 and 3 situated at No. 72 of Zone L Yanjiang Development District Zhenxing District Dandong City Liaoning Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
36.	A parcel of land together with 2 various buildings erected thereon and located at Hongteng Industrial Park No. 4 Kai Yuan 2 Road Jinan City Shandong Province The PRC	No Commercial Value
37.	Room 1708 Level 17 Huoju Building No. 40 Huayuan Road Jinan City Shandong Province The PRC	No Commercial Value
38.	A commercial unit at No. 64 Nong Ke Road North Taiyuan City Shanxi Province The PRC	No Commercial Value
39.	Unit D on Level 4 of Er Dan Yuan No. 43 Ping Yang Road Taiyuan City Shanxi Province The PRC	No Commercial Value
40.	A commercial unit and a warehouse situated next to No. 108 National Highway Dongguan Village Dongguan Town Qixian Taiyuan City Shanxi Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
41.	3 commercial units and 2 warehouses situated next to No. 108 National Highway Dongguan Village Dongguan Town Qixian Taiyuan City Shanxi Province The PRC	No Commercial Value
	Sub-total:	Nil

Group III – Property occupied by the Group under an operating lease in Hong Kong

	Property	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
42.	Room 2706 on 27th Floor China Resources Building No. 26 Harbour Road Wan Chai Hong Kong	No Commercial Value
	Sub-total:	Nil
	Grand Total:	HK$49,225,000

VALUATION CERTIFICATE

Group I – Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
1.	A factory complex erected on a parcel of land known as "S8 East" and located at Jiangyin Chemical Industrial Zone Jiangyin Town Fuqing City Fujian Province The PRC 330000	The property comprises a parcel of land having a site area of approximately 50,167.66 sq. m. with 12 various major buildings and structures erected thereon. The buildings and structures include three single storey warehouses, a 4-storey office building, four single storey workshops, a 4-storey dormitory and canteen and various single to 2-storey supporting facilities which were completed in between 2008 and 2009. The have a total gross floor area of approximately 14,127.30 sq. m. *(See Note 4 below)* The property is subject to a right to use the land for a term till 6 May 2058 for industrial purpose. *(See Note 1 below)*.	The property is occupied by the Group for manufacturing, storage, ancillary office, staff quarter and other supporting purposes.	HK$ 48,600,000 *(See Note 3)* (100% interest)

Notes:

1. The right to possess the land is held by the State and the right to use the land have been granted by the State to 福建浩倫生物工程技術有限公司 (translated as Fujian Haolun Bio-engineering Technology Co, Ltd. and hereinafter referred as "Fujian Haolun"), which is a wholly-owned subsidiary of the Company, through the following way:

   (i) Pursuant to a Project Investment Contract No. JY-0606-0088 made between 福州市江陰工業集中區管理委員會 (translated as Management Committee of Fuzhou City Jiangyin Industrial Zone) and Fujian Haolun dated 18 November 2006, a parcel of land having a site area of approximately 53,026 sq. m. was contracted to be granted to Fujian Haolun for a term of 50 years for industrial purpose at a consideration of RMB 2,783,900.

(ii) Pursuant to a State-owned Land Use Rights Certificate known as Rong Jiangyin Guo Yong (2008) Di 02192 Hao issued by 福清市國土資源局 (translated as Land and Resources Administration Bureau of Fuqing City) and dated 14 May 2008, the legally interested party in the land having a site area of approximately 50,167.66 sq. m. is Fujian Haolun for a term till 6 May 2058 for industrial purpose.

2. Pursuant to 12 Construction Work Planning Permits – Jian Zi Di 350181-2008-205JB, 206JA, 207-216JB issued by 福清市成鄉規劃局 (translated as Fuqing Urban and Rural Planning Bureau), all dated 11 June 2008, Fujian Haolun was approved to construction 12 various buildings on the approved land.

3. Pursuant to 12 various Permits to Commence Construction which were issued by 福清市建設局 (translated as Construction Administration Bureau of Fuqing City) all dated 3 December 2008, Fujian Haolun was permitted to commence construction of 12 various buildings on the approved land.

4. Pursuant to 3 various 建設項目規劃驗收意見書 (translated as Planning Completion Proposal for Construction Project), Rong Gui Yan Zi (2009) Di 133-135 YB Hao, which were issued by Fuqing Urban and Rural Planning Bureau all dated 10 August 2009, Fujian Haolun constructed 12 various buildings having a total gross floor area of approximately 14,127.30 sq. m. The area breakdowns of each of the buildings covered in the permits are listed as follows:

		Gross Floor Area *(sq. m.)*
(i)	a single storey warehouse No. 1	1,690.20
(ii)	a single storey warehouse No. 2	1,170.70
(iii)	a single storey warehouse No. 3	748.00
(iv)	a single storey boiler room	154.40
(v)	a single storey workshop	1,282.40
(vi)	a single storey workshop	1,226.70
(vii)	a single storey workshop	1,427.60
(viii)	a single storey workshop	1,355.70
(ix)	a 4-storey office building	2,231.00
(x)	a single storey guardhouse	35.50
(xi)	a 2-storey auxiliary building	849.30
(xii)	a 4-storey quality inspection centre	1,955.80
	Total:	14,127.30

5. As advised by the Company, they are in the process of applying title certificates for the buildings as mentioned in Note 2 above. In our valuation, we have taken such buildings into account on the assumptions that they have obtained all relevant proper title certificates and are able to transfer together with the land and other buildings as an unique interest without further encumbrances/premium to be paid. For reference purpose, the estimated aggregate sum of depreciated replacement cost of such buildings (excluding the land) is in the region of HK$15,700,000, which should be deducted from the amount of valuations if the buildings cannot be transferred in the open market.

6. Pursuant to a copy of an 企業法人營業執照, (translated as Enterprise Legal Person Business Licence) dated 24 August 2009, Fujian Haolun is a limited liability company with an operation period commencing from 8 February 2003 to 30 January 2015.

7. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:

(i) Fujian Haolun has obtained the land use rights of the land legally;

(ii) Fujian Haolun is the legally interested party of the land and has the right to occupy, use, dispose, lease or mortgage of the land;

(iii) Pursuant to the State-owned Land Use Rights Certificate as mentioned in Note 1 above, the land use rights of the property is not subject to any mortgage;

(iv) As advised by the appointed personnel of the Company, the existing use of the land is in compliance with the permitted usage under the State-owned Land Use Rights Certificate;

(v) Fujian Haolun has no legal impediment in obtaining Building Ownership Certificate(s); and

(vi) Upon obtaining the Building Ownership Certificate(s), Fujian Haolun is the legally interested party in the buildings and has the right to occupy, use, dispose, lease or mortgage of the buildings.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
2.	A commercial unit known as No. 110 on Level 1 of Si Dan Yuan Block No. 7 Agriculture Trade Market Dongjiao Village Wuling District Changde City Hunan Province The PRC	The property comprises a commercial unit on Level 1 of a 3-storey composite building which was completed in about 2003. It has a gross floor area of approximately 34.18 sq. m. The property is subject to a right to use the land for a term till 19 November 2042 for commercial purpose. *(See Note 1 below)*	The property is occupied by the Group for retail purpose.	HK$140,000 (70% interest)

Notes:

1. According to a State-owned Land Use Rights Certificate known as Chang Guo Yong (2004) Di 6285 Hao issued by the People's Government of Changde City on 19 September 2005, the legally interested party in the property having an undivided share of land area of approximately 14.00 sq. m. is 常德浩倫農業科技有限公司 (translated as Changde Haolun Agriculture Science and Technology Co., Ltd and hereinafter referred to as "Changde Haolun"), a 70%-owned subsidiary of the Company, with a term of land use till 19 November 2042 for commercial purpose.

2. Pursuant to a Building Ownership Certificates known as Chang Fang Quan Zheng Wu Zi Di 00132222 Hao dated 14 January 2005, the legally interested party in the property having a gross floor area of approximately 34.18 sq. m. is Changde Haolun.

3. Pursuant to an 企業法人營業執照 (translated as Enterprise Legal Person Business Licence) dated 27 March 2008, Changde Haolun is a limited liability company with an unspecified operation period.

4. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:

   (i) Changde Haolun has obtained the building ownership rights and the respective land use rights of the property legally;

   (ii) Changde Haolun is the legally interested party in the property and has the right to occupy, use, dispose, lease or mortgage of the property; and

   (iii) As advised by the appointed personnel of the Company, the existing use of the property is in compliance with the permitted usage under the State-owned Land Use Rights Certificate and the Building Ownership Certificate.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
3.	A residential unit known as No. 205 on Level 2 of Si Dan Yuan Block No. 7 Agriculture Trade Market Dongjiao Village Wuling District Changde City Hunan Province The PRC	The property comprises a residential unit on Level 2 of a 3-storey composite building which was completed in about 2003. It has a gross floor area of approximately 89.74 sq. m. The property is subject to a right to use the land for a term till 19 November 2042 for residential purpose. *(See Note 1 below)*	The property is occupied by the Group for staff quarters purpose.	HK$105,000 (70% interest)

Notes:

1. According to a State-owned Land Use Rights Certificate known as Chang Guoyong (2004) Di 6286 Hao issued by the People's Government of Changde City on 19 September 2005, the legally interested party in the property having an undivided share of land area of approximately 36.76 sq. m. is 常德浩倫農業科技有限公司 (translated as Changde Haolun Agriculture Science and Technology Co., Ltd and hereinafter referred to as "Changde Haolun"), a 70%-owned subsidiary of the Company, with a term of land use till 19 November 2042 for residential purpose.

2. Pursuant to a Building Ownership Certificates known as Chang Fang Quan Zheng Wu Zi Di 00132223 Hao dated 14 January 2005, the legally interested party in the property having a gross floor area of approximately 89.74 sq. m. is Changde Haolun.

3. Pursuant to an 企業法人營業執照 (translated as Enterprise Legal Person Business Licence) dated 27 March 2008, Changde Haolun is a limited liability company with an unspecified operation period.

4. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:

   (i) Changde Haolun has obtained the building ownership rights and the respective land use rights of the property legally;

   (ii) Changde Haolun is the legally interested party in the property and has the right to occupy, use, dispose, lease or mortgage of the property; and

   (iii) As advised by the appointed personnel of the Company, the existing use of the property is in compliance with the permitted usage under the State-owned Land Use Rights Certificate and the Building Ownership Certificate.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
4.	A commercial unit known as No. 1 on Level 1 of Block No. 3 No. 35 Wujia Taizi Yijia Bay Yuetang District Xiangtan City Hunan Province The PRC	The property comprises a commercial unit on Level 1 of a 4-storey composite building, which was completed in about 2002. It has a total gross floor area of approximately 30.07 sq. m. The property is subject to a right to use the land for a term till 3 June 2039 for commercial purpose. (See Note 1 below).	The property is vacant.	HK$210,000 (100% interest)

Notes:

1. According to a State-owned Land Use Rights Certificate known as Tan Guo Yong (2008) Di 2000012 Hao issued by the Land and Resources Bureau of Xian Tan City on 23 July 2008, the legally interested party in the property is 湖南浩倫農業科技有限公司 (translated as Hunan Haolun Agriculture Science and Technology Co., Ltd and hereinafter referred to as "Hunan Haolun"), a wholly-owned subsidiary of the Company, with a term of land use till 3 June 2039 for commercial purpose.

2. Pursuant to a Building Ownership Certificate known as Tan Fang Quan Zheng Xiangtan Shi Zi Di 240109 Hao dated 7 May 2008, the legally interested party in the property having a gross floor area of approximately 30.07 sq. m is Hunan Haolun.

3. Pursuant to an 企業法人營業執照 (translated as Enterprise Legal Person Business Licence) dated 20 October 2008, Hunan Haolun is a limited liability company for an operation period commencing from 1 February 2002 to 1 February 2027.

4. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:

   (i) Hunan Haolun has obtained the building ownership rights and the respective land use rights of the property legally;

   (ii) Hunan Haolun is the legally interested party in the property and has the right to occupy, use or dispose lease or mortgage of the property; and

   (iii) As advised by the appointed personnel of the Company, the existing use of the property is in compliance with the permitted usage under the respective State-owned Land Use Rights Certificate and Building Ownership Certificate.

	Property	Description and tenure	Particulars of occupancy	Amount of valuations in its existing state attributable to the Group as at 30 June 2010
5.	A residential unit known as No. 3301 on Level 3 of Block No. 3 No. 35 Wujia Taizi Yijia Bay Yuetang District Xiangtan City Hunan Province The PRC	The property comprises a residential unit on Level 3 of a 4-storey composite building, which was completed in about 2002. It has a total gross floor area of approximately 121.74 sq. m. The property is subject to a right to use the land for a term till 3 June 2069 for residential purpose. *(See Note 1 below).*	The property is occupied by the Group for staff quarters purpose.	HK$170,000 (100% interest)

Notes:

1. According to a State-owned Land Use Rights Certificate known as Tan Guo Yong (2008) Di 2000011 Hao issued by the Land and Resources Bureau of Xian Tan City on 23 July 2008, the legally interested party in the property is 湖南浩倫農業科技有限公司 (translated as Hunan Haolun Agriculture Science and Technology Co., Ltd and hereinafter referred to as "Hunan Haolun"), a wholly-owned subsidiary of the Company, with a term of land use till 3 June 2069 for residential purpose.

2. Pursuant to a Building Ownership Certificate known as Tan Fang Quan Zheng Xiangtan Shi Zi Di 240109 Hao dated 7 May 2008, the legally interested party in the property having a gross floor area of approximately 121.74 sq. m. is Hunan Haolun.

3. Pursuant to an 企業法人營業執照 (translated as Enterprise Legal Person Business Licence) dated 20 October 2008, Hunan Haolun is a limited liability company for an operation period commencing from 1 February 2002 to 1 February 2027.

4. According to the legal opinion as prepared by the Group's PRC legal adviser, the following opinions are noted:

   (i) Hunan Haolun has obtained the building ownership rights and the respective land use rights of the property legally;

   (ii) Hunan Haolun is the legally interested party in the property and has the right to occupy, use or dispose, lease or mortgage of the property; and

   (iii) As advised by the appointed personnel of the Company, the existing use of the property is in compliance with the permitted usage under the respective State-owned Land Use Rights Certificate and Building Ownership Certificate.

2. Valuation Report on Property Interests of the Target Group

The following is the text of letter and summary of values on property interests of Target Group as at 30 June 2010 prepared by LCH (Asia-Pacific) Surveyors Limited for the purpose of inclusion in this circular.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL SERVICES VALUER

The readers are reminded that the report which follows has been prepared in accordance with the guidelines set by the International Valuations Standard, Eighth Edition, 2007 (the "IVS") published by the International Valuation Standards Committee as well as the HKIS Valuation Standards on Properties, First Edition, 2005 (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for readers' identification purpose only and have no legal status or implication in this report. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusion.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

25 September 2010

The Board of Directors
China Agrotech Holdings Limited
Room 2706, 27th Floor
China Resources Building
No. 26 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions given by the management of China Agrotech Holdings Limited (hereinafter referred to as the "Company") to us to report the existing status of certain properties in which Present Sino Limited (hereinafter referred to as the "Target Company") or its subsidiaries (collectively, together with the Target Company hereinafter referred to as the "Target Group") have leasehold interests in the People's

Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings of the properties as at 30 June 2010 (hereinafter referred to as the "Relevant Date") for the Company's shareholders' reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Company's due diligence but we have not been engaged to make specific sale or purchase recommendations. We further understand that the use of our work product will not supplant other due diligence which the management of the Company should conduct in reaching its business decision regarding the properties reviewed.

Our work is designed solely to provide information that will give a reference to the management of the Company as part of its due diligence process, and our work should not be the only factor to be referenced by the Company.

FINDINGS

We have assigned no commercial values to the properties, which occupied by the Target Group under various operating leases in the PRC, due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial profit rents.

As at the Latest Practicable Date of this circular, we were unable to identify any adverse news against the properties which may affect the reported findings in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Relevant Date, we reserve the right to adjust the findings reported herein.

In accordance with the Practice Note No. 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, we have excluded full text of the report of the properties occupied by the Target Group under various operating leases in this letter.

ESTABLISHMENT OF TITLES

For the sake of this engagement, we have been provided with copies of the lease agreements regarding the properties. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any lease amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the properties. Any responsibility for our misinterpretation of the documents cannot be accepted. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, we have complied with the requirements as stated in Practice Note No. 12 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited, and relied solely on the copies of document provided by the Company and the copy of PRC legal opinions as provided by the Company with regarding to the titles of the properties. We are given to understand that the PRC legal opinions was prepared by a qualified PRC legal adviser 高朋律師事務所 Gaopeng and Partners on 20 September 2010. No responsibility or liability is assumed from our part.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

We have conducted inspections to the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our engagement. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advice upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the utilities (if any) and we are unable to identify those utilities covered, unexposed or inaccessible.

Our work has been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspections and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of such properties that appeared on the documents handed to us. No responsibility from our part is assumed. The management of the Company or interested party in the properties should conduct their own legal boundaries due diligence work.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

In the course of our work, we have been provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to work did not require us to conduct any searches or inspected the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not attorney of laws by nature, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the management of the Company.

We have relied solely on the information provided by the management of the Company or its appointed personnel without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, titles, easements, tenure, rental, occupation, site and floor areas and all other relevant matters.

The scope of work has been determined by reference to the property list provided by the management of the Company. All properties on the list have been included in our report. The management of the Company has confirmed to us that it has no property interest other than those specified on the list supplied to us.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external data providers and the management of the Company in our work, the assumptions and caveats that adopted by them in arriving at their figures also apply in our work. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the management of the Company. We have sought and received confirmation from the management of the Company that no material factors have been omitted from the information supplied. Our analysis is based upon full disclosure between us and the management of the Company of material and latent facts that may affect the findings.

We have had no reason to doubt the truth and accuracy of the information provided to us by the management of the Company or its appointed personnel. We consider that we have been provided with sufficient information to reach an informed view, and have had no reasons to suspect that any material information has been withheld.

LIMITING CONDITIONS IN THIS REPORT

Our findings of the properties in this report are valid only for the stated purpose and only for the Relevant Date, and for the sole use of the named Company. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and the valuer accepts no responsibility whatsoever to any other person.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this circular to the Company's shareholders' reference.

STATEMENTS

Our work has been prepared in line with the requirements contained in Chapter 5 and Practice Note Nos. 12 and 16 of the Rules Governing the listing of Securities of The Stock Exchange of Hong Kong Limited as well as the guidelines contained in both the IVS and the HKIS Standards. The work has been undertaken by valuers (see End Notes), acting as external valuers, qualified for the purpose of this engagement.

We retain a copy of this report together with the data from which it was prepared, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Company's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

We hereby certify that the fee for this service is not contingent upon our conclusion and we have no significant interest in the properties, the Company and the Target Group.

A summary of value is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui	**Yuki Chan Wan Yuk**
B.Sc. M.Sc. RPS(GP)	*BCom RPS(GP)*
Director	*Associate Director*

Contributing valuers:
Terry Fung Chi Hang *B.Sc. M.Sc.*
Leslie Wong Tak Chiu *B.Sc. BBA.*

Notes:

1. Ms Elsa Ng Hung Mui has been conducting valuation of real estate properties in Hong Kong since 1994 and has more than 11 years of experience in valuing properties in mainland China. She is a Member of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by the HKIS.

2. Ms Yuki Chan Wan Yuk is a Member of The HKIS, an Associate Member and a Certified Practising Valuer of The Australian Property Institute, who has 5 years of experience in valuing properties in Hong Kong and over 3 years of experience in valuing properties in the PRC.

3. Mr. Terry Fung Chi Hang is a graduated surveyor who has been involved in valuation of real estate properties both in Hong Kong and the PRC for more than 5 years. He obtained a Master Degree in Real Estate and involved in various assets valuations, mine valuation and agriculture property assets valuation.

4. Mr. Leslie Wong Tak Chiu is a graduated surveyor who has been involved in valuation of real estate properties both in Hong Kong and the PRC for more than 4 years. He obtained a Bachelor Degree in Estate Management and in Business Administration, and involved in various assets valuations, mine valuation, toll road valuation and agriculture property assets valuation.

SUMMARY OF VALUES

Properties occupied by the Target Group under various operating leases in the PRC

	Property	Amount of valuations in its existing state attributable to the Target Group as at 30 June 2010
1.	A parcel of land located at TingzizhuangVillage Changping District Beijing The PRC	No Commercial Value
2.	A residential unit located at TingzizhuangVillage Changping District Beijing The PRC	No Commercial Value
3.	Two parcels of lands located at Xishuiquan Village and Hezhuang Village Shunyi District Beijing The PRC	No Commercial Value
4.	An office unit on Level 25 Jingang International Business Centre No. 35 Binzhou Bei Lu Taiyuan City Shanxi Province The PRC	No Commercial Value
5.	Two parcels of land located at Old 428 Station Yudaohu Town and Zhangxing Village, Xinghuachuen Town Fenyang City Shanxi Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Target Group as at 30 June 2010
6.	A parcel of land located at Northern side of Nanxun Huan Road Nantai Gu Lixiu Village Houcheng Xiang Taigu County Jingzhong City Shanxi Province The PRC	No Commercial Value
7.	Four parcels of lands located at Shiligou Village Shentie Town Yuci District Jingzhong City Shanxi Province The PRC	No Commercial Value
8.	A parcel of land located at Huangni Group Guangxing Village Hongxiang Xiang Jiaocheng County Luliang City Shanxi Province The PRC	No Commercial Value
9.	A parcel of land located at Huaiwan Group Hongxiang Village Hongxiang Xiang Jiaocheng County Luliang City Shanxi Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Target Group as at 30 June 2010
10.	A parcel of land located at Yaoertou Village Hongxiang Xiang Jiaocheng District Luliang City Shanxi Province The PRC	No Commercial Value
11.	A parcel of land located at Niujiagou Group Zhaishang Village Lingdi Xiang Jiaocheng County Luliang City Shanxi Province The PRC	No Commercial Value
12.	A parcel of land located at Mucao and Sujiazhuang Group Qianzhuang Village Committee Lindi Xiang Jiaocheng District Luliang City Shanxi Province The PRC	No Commercial Value
13.	A parcel of land located at Baiyatou Village Group Yaoer Tou Village Lingdi Xiang Jiaocheng County Luliang City Shanxi Province The PRC	No Commercial Value

	Property	Amount of valuations in its existing state attributable to the Target Group as at 30 June 2010
14.	A parcel of land located at western side of Jiaoshi Road Shihou Village North Jiaocheng County Luliang City Shanxi Province The PRC	No Commercial Value
	Total:	Nil

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company was, and immediately following full conversion of the Convertible Bonds will be as follows:

Authorised		*HK$*
3,000,000,000	Shares	300,000,000.00
Issued and credited as fully paid		
642,765,216	Shares as at the Latest Practicable Date	64,276,521.60
800,000,000	Conversion Shares	80,000,000.00
1,442,765,216		144,276,521.60

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.

3. INTERESTS OF DIRECTORS

(a) Interests of Directors

As at the Latest Practicable Date, save as disclosed below, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in any Share, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short position which they had or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions:

Long positions in Shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of issued Shares held	Approximate % of shareholding
Mr. Wu Shaoning	Beneficial owner	Interests in issued Shares	203,200,000	31.61%

Save as disclosed above, none of the Directors or proposed directors of the Company (if any) had any interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed pursuant to Divisions 2 and 3 of part XV of the SFO.

(b) Interests of substantial shareholders of the Group

As at the Latest Practicable Date, so far as is known to the Directors, no parties (other than the Directors and Chief Executives of the Company) had an interest or short position in the Shares and underlying shares of the Company which would need to be disclosed to the Company or the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his respective associates had any interest in a business, which competes or may compete with the business of the Group.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service contract with the Company or any other member of the Enlarged Group which is not determinable by the Enlarged Group within one year without payment of compensation, other than statutory compensation.

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. INTEREST IN CONTRACTS AND ASSETS

Save for and in connection with the S&P Agreement, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets acquired or disposed of by or leased to any member of the Enlarged Group or is proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 30 June 2009, being the date to which the latest published audited accounts of the Company were made up.

Save for and in connection with the S&P Agreement, as at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to the business of the Enlarged Group.

8. MATERIAL CONTRACTS

Save as disclosed below, there was no contracts, not being contracts entered into in the ordinary course of business, entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and which are or may be material:

(a) the conditional placing agreement dated 4 June 2009 entered into between the Company and Excalibur Securities Limited in relation to the placing of 42,900,000 new Shares at a placing price of HK$0.70 each;

(b) the conditional placing agreement dated 4 June 2009 entered into between the Company and Excalibur Securities Limited in relation to the placing of convertible bonds with a principal amount of HK$29,970,000 which are convertible into 33,300,000 Shares at an initial conversion price of HK$0.90 per share;

(c) the conditional placing agreement dated 19 January 2010 entered into between the Company and Kingston Securities Limited in relation to the placing of 50,000,000 new Shares at a placing price of HK$0.95 each;

(d) the S&P Agreement; and

(e) the Supplemental Agreement.

9. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advices, which are contained in this circular.

Name	Qualification
Nuada	a licensed corporation to carry on type 6 regulated activity (advising on corporate finance) under the SFO
LCH (Asia-Pacific) Surveyors Limited	Professional Surveryor
CCIF CPA Limited	Certified public accountants

As at the Latest Practicable Date, none of the above experts had direct or indirect shareholdings in any member of the Enlarged Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Enlarged Group, or any interests, directly or indirectly, in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of or leased to any member of the Enlarged Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its reports and references to its name in the form and context in which they appear.

10. MISCELLENOUS

(a) The company secretary of the Company is Mr. Tong Hing Wah, CPA, FCCA.

(b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(c) The head office and principal place of business of the Company in Hong Kong is at Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(d) The branch share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

(e) The English text of this circular, the notice of the EGM and the accompanying form of proxy shall prevail over their respective Chinese text.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during the normal business hours from the date of this circular up to and including the date of the EGM:

(i) the memorandum and articles of association of the Company;

(ii) the letter from the Board, the text of which is set out on pages 7 to 52 of this circular;

(iii) the letter from the Independent Board Committee, the text of which is set out on pages 53 to 54 of this circular;

(iv) the letter of advice from Nuada to the Independent Board Committee and the Independent Shareholders as set out on pages 55 to 65 of this circular;

(v) the annual reports of the Group for the financial year ended 30 June 2008 and 2009;

(vi) the accountants' report of the Target Company, the text of which is set out in Appendix II to this circular;

(vii) the accountants' report of Astro-Wood, the text of which is set out in Appendix III to this circular;

(viii) the valuation report on the biological assets of the Target Group, the text of which is set out in Appendix V to this circular;

(ix) the full text of the valuation report on the property interest of the Enlarged Group, the summary of which is set out in Appendix VI to this circular;

(x) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(xi) the letters of consent referred to in the paragraph headed "Experts and Consents" in this appendix;

(xii) this circular; and

(xiii) the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" of this Appendix VII.

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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the extraordinary general meeting (the "**Meeting**") of China Agrotech Holdings Limited (the "**Company**") will be held at Plaza 3, Lower Lobby, Novetel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on 15 October 2010, at 11:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**:

(i) the sale and purchase agreement dated 22 June 2010 as amended by a supplemental agreement dated 27 July 2010 entered into amongst the Company, Mr. Wu Shaoning (the "**First Vendor**"), Mr. Xue Zhixin (the "**Second Vendor**"), Ms. Liu Shufeng (the "**Third Vendor**"), Bigtime Success Limited (the "**Fourth Vendor**"), Apex Gain Holdings Limited (the "**Fifth Vendor**"), Metro Party Limited (the "**Sixth Vendor**"), Perfect Silver Limited (the "**Seventh Vendor**"), Charter Basic Limited (the "**Eighth Vendor**") and Quality Sino Limited (the "**Ninth Vendor**", together with the First Vendor, the Second Vendor, the Third Vendor, the Fourth Vendor, the Fifth Vendor, the Sixth Vendor, the Seventh Vendor and the Eighth Vendor, collectively, the "**Vendors**") as vendors and Mr. Tse Wai Wang, Mr. Tong Hing Wah, Mr. So Chi Yuk, Mr. Suen Siu Kwan, Mr. Wu Zhen Geng, Mr. Qiu Baoyu and Mr. Zhang Yande respectively as additional warrantors (the "**S&P Agreement**"), a copy of which has been produced to the Meeting and marked "A", and initialled by the chairman of the Meeting for the purpose of identification, in relation to the acquisition by the Company of 100,000 ordinary shares in the capital of Present Sino Limited (the "**Target Company**"), representing all the issued shares of the Target Company at an aggregate consideration of HK$1,000,000,000 to be satisfied by (a) the issue of the convertible bonds by the Company in the aggregate principle amount of HK$800,000,000 (the "**Convertible Bonds**") to each of the Vendors and/or their respective nominees, in each case on the terms set out in the S&P Agreement; and (b) the issue of two zero coupon promissory notes by the Company in the principal amounts of HK$132,000,000 and HK$68,000,000 (the "**Promissory Notes**") respectively to the First Vendor and the Second Vendor and/or their respective nominees, in each case on the terms set out in the S&P Agreement, be and are hereby approved, confirmed and ratified;

* *For identification purposes only*

(ii) subject to the Listing Committee of the Stock Exchange of Hong Kong Limited 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 (the "**Conversion Shares**"), the issue and allotment by the Company of 800,000,000 Conversion 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 HK$1.00 per Conversion Share (subject to adjustment) be and are hereby approved;

(iii) any one director of the Company be and is hereby authorised to do all such acts and things as he in his sole and absolute discretion deems necessary, desirable or expedient to implement, give effect to and/or complete the S&P Agreement and the transactions contemplated thereunder, including without limitation, the issue of the Convertible Bonds and Promissory Notes, the issue and allotment of the Conversion Shares from time to time upon exercise of the conversion rights under the Convertible Bonds, and, where required, any amendment of the terms of the S&P Agreement, the Convertible Bonds and/or the Promissory Notes."

Yours faithfully
For and on behalf of the Board
China Agrotech Holdings Limited
Wu Shaoning
Chairman

Hong Kong, 25 September 2010

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more separate proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy thereof) must be deposited to the principal office of the Company at Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the Meeting or any adjourned Meeting. Completion and delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the Meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

3. A form of proxy for use at the Meeting is enclosed. Whether or not you are able to attend the Meeting in person, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon.

4. Where there are joint registered holders of any share(s) of the Company, any one of such joint holders may attend and vote at the meeting, either in person or by proxy, in respect of such share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present whose name stands first on the register in respect of such share shall alone be entitled to vote in respect thereof.

5. If the appointer is a corporation, the form of proxy must be under its common seal, or under the hand of an officer or attorney duly authorized on its behalf.

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