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CHINA AGROTECH HOLDINGS LIMITED

浩倫農業科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 01073)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 32% EQUITY INTEREST IN GUANGDONG JIUHUA

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 18 June 2013 (after trading hours), China Ecotech Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser and the Vendors entered into the Equity Transfer Agreement, pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Equity Interest at a cash consideration of RMB25,000,000 (equivalent to approximately HK\$31,662,000). Upon Completion, the Company will be interested in the Sale Equity Interest, representing 32% of the equity interest of Guangdong JiuHua which will be treated as a joint venture and equity accounted for by the Group.

IMPLICATIONS UNDER THE LISTING RULES

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

BACKGROUND

The Board is pleased to announce that on 18 June 2013 (after trading hours), China Ecotech Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser and the Vendors entered into the Equity Transfer Agreement, pursuant to which the Vendors agreed to sell and the Purchaser agreed to purchase the Sale Equity Interest at a consideration of RMB25,000,000 (equivalent to approximately HK\$31,662,000). Upon Completion, the Company will be interested in the Sale Equity Interest, representing 32% of the equity

* *for identification purpose only*

interest of Guangdong Jiuhua which will be treated as a joint venture and equity accounted for by the Group. The Target Group is principally engaged in the propagation and sale of seed potatoes and trading of fresh potatoes in the PRC.

THE ACQUISITION

The Equity Transfer Agreement

Date: 18 June 2013

Parties: (i) China Ecotech Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company (as the Purchaser); and

(ii) Mr. Hu Chenlai and Mr. Xu Guopeng (as the Vendors)

Acquisition of Sale Equity Interest

The Vendors agreed to sell and the Purchaser agreed to purchase the Sale Equity Interest at a cash consideration of RMB25,000,000 (equivalent to approximately HK\$31,662,000). Upon Completion, the Company will be interested in the Sale Equity Interest, representing 32% of the equity interest of Guangdong Jiuhua, which in turn wholly owns Damaoqi Jiuhua.

Consideration and terms of payment

The Consideration for the Acquisition shall be satisfied by cash payable within 90 Business Days from completion of the registration of the transfer of the Sale Equity Interest at the relevant government departments of the PRC. The Consideration is subject to Consideration Adjustment as detailed under the paragraph headed “Consideration Adjustment” below.

Basis of determination of the Consideration

The Consideration for the Acquisition was arrived at after arm’s length negotiations between the Purchaser and the Vendors and was determined after taking into account of (i) the unaudited net asset value of the Target Group of approximately RMB75,741,000 as at 30 April 2013; (ii) the future prospect of the business of the Target Group; and (iii) the Consideration Adjustment.

The Consideration represents a premium of approximately 3% to the relevant share (i.e. 32%) of the unaudited net asset value of the Target Group of approximately RMB24,237,000 as at 30 April 2013. The Directors are of the opinion that the Consideration for the Acquisition is fair and reasonable, on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

The Consideration for the Acquisition will be funded by the internal resources of the Group.

Conditions precedent to the Equity Transfer Agreement

Completion is conditional upon fulfillment or waive (as the case may be) of, inter alia, the following conditions:

- (a) all the necessary approvals or consents by the relevant PRC government authorities, the existing equity holders of Guangdong Jiuhua and the Stock Exchange (if required) in respect of the transfer of the Sale Equity Interest under the Equity Transfer Agreement having been obtained;
- (b) the Purchaser being satisfied with its due diligence results on the business, financial and legal aspects of the Target Group;
- (c) the representations, warranties and undertakings set out in the Equity Transfer Agreement remaining true, accurate and complete and not misleading in any respect as given as of the date of the Equity Transfer Agreement and at all times up to and including the date of Completion; and
- (d) no breach of obligation and undertakings given by the Vendors under the Equity Transfer Agreement to be performed before Completion having occurred.

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

The Purchaser has no current intention to waive any of the conditions (b) to (d) above and it will exercise such waiver only if it would be in the interest of the Company and the Shareholders as a whole. In the event that any of the aforesaid conditions have not been fulfilled or waived by the Purchaser (if applicable) on or before 31 October 2013, the Equity Transfer Agreement shall be automatically terminated forthwith and cease to be of any effect and the Parties shall have no claim against each other arising out of or in connection with the Equity Transfer Agreement save for any claims arising out of any antecedent breach of the Equity Transfer Agreement.

Consideration Adjustment

As the unaudited net asset value of the Target Group as at 30 April 2013 (the “Guaranteed NAV”) is one of the factors for the basis of Consideration, pursuant to the Equity Transfer Agreement, Mr. Hu Chenlai, being one of the Vendors and founder of the Target Group, has undertaken to the Purchaser that in the event that any of the receivables (including trade receivables, other receivables and prepayments, or any amounts of similar nature whatsoever named) comprising the Guaranteed NAV cannot be received or realized before 31 December 2013 (the “Uncollectible Receivables”), he shall pay to the Purchaser a compensation amount (the “Compensation”) on or before 31 December 2014, which is calculated as follows:

Compensation = 32% x A x 1.5 times

where A = total amount of Uncollectible Receivables, and be limited to RMB78,125,000 (being the value of the Target Group calculated based on RMB25,000,000 for 32% of the equity interest of Guangdong Jiuhua to be acquired by the Purchaser)

The Compensation, to the extent of amount unpaid as at 31 December 2014, bears interest at the rate of 12% per annum since 1 January 2015.

Completion

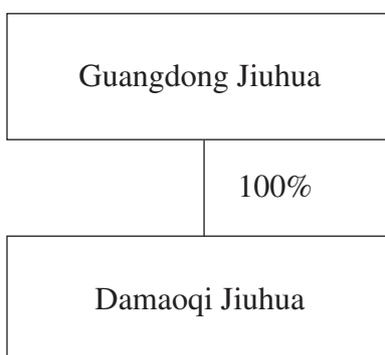
Completion shall take place on the third Business Day following the fulfillment of the conditions precedent (or waiver thereof) and settlement of the Consideration, or such other date as the Parties may agree in writing.

INFORMATION ON THE VENDORS

Mr. Hu Chenlai, being one of the Vendors, is the founder of the Target Group with extensive experience in propagation and sale of seed potatoes and trading of fresh potatoes. Mr. Xu Guopeng, being one the Vendors, is the son-in-law of Mr. Hu Chenlai. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, the Vendors are Independent Third Parties. Save as entering into the Equity Transfer Agreement and the fact that the Group purchased certain seed potatoes and fresh potatoes from the Target Group and sold certain fertilizers to the Target Group since 2012, as well as provided guarantee to certain existing bank facilities of the Target Group, the Group does not have any other business relationship with the Vendors.

INFORMATION ON THE TARGET GROUP

The Target Group is principally engaged in the propagation and sale of seed potatoes and trading of fresh potatoes in the PRC. The structure of the Target Group as at the date of this announcement is set out below:



As at the date of this announcement, Guangdong Jiuhua is owned as to 50.67% and 22.43% by Mr. Hu Chenlai and Mr. Xu Guopeng respectively, who collectively are the Vendors, 7.9% by Mr. Hu Yuzhao, the son of the Mr. Hu Chenlai, and 16.89% and 2.11% respectively by two Independent Third Parties not connected with the Vendors and their

connected persons (save for being equity holders of Guangdong Jiuhua). Upon Completion, the equity interest of Mr. Hu Chenlai and Mr. Xu Guopeng in Guangdong Jiuhua will be decreased to 41.1% and nil respectively.

Guangdong Jiuhua was incorporated in the PRC on 6 March 2002. It is principally engaged in the sale of seed potatoes and trading of fresh potatoes in Guangdong Province, the PRC.

Damaoqi Jiuhua was incorporated in the PRC on 28 August 2007 and is a wholly-owned subsidiary of Guangdong Jiuhua. Damaoqi Jiuhua is principally engaged in the propagation of seed potatoes in Inner Mongolia, the PRC.

The following is (i) the audited consolidated financial information of the Target Group for the financial year ended 31 December 2011, as adjusted to exclude the results of a former subsidiary of Guangdong Jiuhua; and (ii) the audited consolidated financial information of the Target Group for the financial year ended 31 December 2012; both prepared in accordance with the generally accepted accounting principles of the PRC:

	Year ended 31 December	
	2011	2012
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	32,149	65,791
Profit before taxation	8,735	10,402
Profit after taxation	8,735	10,402

REASONS FOR THE ACQUISITION

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

With a view to broadening the revenue base and improving the profitability of the Group, the Company has been actively looking for attractive merger and acquisition opportunities. The Target Group is one of the key producer of seed potatoes in the PRC with seed potatoes production base in Inner Mongolia having excellent natural environment for cultivation and propagation of high-quality seed potatoes, coupled with a well established downstream distribution network of seed potatoes in Guangdong Province where it is suitable for growing of fresh potatoes by farmers during the traditional slack-winter season in the southern China. The Target Group is expanding its production facilities in Inner Mongolia and enhancing its market share in the southern China.

Upon Completion, Guangdong Jiuhua will become a 32% owned joint venture entity of the Company. Accordingly, the results of the Target Group will be accounted for using the equity method of accounting by the Group. The Directors consider that the Acquisition enables the Group to expand its domain of agricultural businesses, as well as generate synergy effect with its existing distribution network of agricultural resources products.

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

IMPLICATIONS UNDER THE LISTING RULES

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

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Equity Interest by the Purchaser from the Vendors pursuant to the terms and subject to the conditions set out in the Equity Transfer Agreement
“associates”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	day(s) (other than Saturday) on which banks in the PRC are open to conduct business generally throughout their normal business hours
“Company”	China Agrotech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisition
“connected person”	has the meaning ascribed thereto in the Listing Rules and the word “connected” shall be construed accordingly
“Consideration”	consideration for the Acquisition, being RMB25,000,000 (equivalent to approximately HK\$31,662,000)
“Consideration Adjustment”	adjustment to be made to the Consideration as detailed under the paragraph headed “Consideration Adjustment” in this announcement
“Damaoqi Jiuhua”	Damaoqi Jiuhua Modern Agriculture Company Limited* (達茂旗九華現代農業有限公司), a company incorporated in the PRC and a directly wholly-owned subsidiary of Guangdong Jiuhua

“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the agreement dated 18 June 2013 entered into by the Purchaser and the Vendors in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Guangdong Jiuhua”	Guangdong Jiuhua Potatoes Industry Company Limited* (廣東九華馬鈴薯產業有限公司), a company incorporated in the PRC, which wholly owns Damaoqi Jiuhua
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	parties to the Equity Transfer Agreement, including the Purchaser and the Vendors
“PRC” or “China”	The People’s Republic of China
“Purchaser”	China Ecotech Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Equity Interest”	being an aggregate of 32% of the equity interest of Guangdong Jiuhua as at the date of the Equity Transfer Agreement, where 9.57% and 22.43% of the equity interest are to be transferred from Mr. Hu Chenlai and Mr. Xu Guopeng respectively to the Purchaser
“Share(s)”	ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subsidiaries”	has the meaning ascribed to it in the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Target Group”	Guangdong Jiuhua and its wholly-owned subsidiary, namely, Damaoqi Jiuhua

“Vendors” Mr. Hu Chenlai* (胡成來), founder of the Target Group, and Mr. Xu Guopeng* (徐國鵬), the son-in-law of Mr. Hu Chenlai

“% or per cent” percentage

For the purpose of this announcement and solely for the purpose of illustration, all amounts (except for historical accounting figures) in RMB are translated into HK\$ at an exchange rate of HK\$1.00:RMB0.7896. Such translation should not be constructed as a representation that the relevant amounts have been, could have been or could be converted at any particular rate at all.

* *Unofficial translation from Chinese into English*

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

Hong Kong, 18 June 2013

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