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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)

PROPOSED ISSUE OF CONVERTIBLE BONDS, PROPOSED SET OFF OF THE EXISTING BONDS, PROPOSED CANCELLATION OF WARRANTS, SUPPLEMENTAL AGREEMENT TO EXTENSION AGREEMENT AND RESUMPTION OF TRADING

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 8 July 2014, the Company and the Subscriber entered into the Subscription Agreement in respect of the issue of the Convertible Bonds in the principal amount of HK\$109,000,000. Completion of the Subscription is subject to the conditions as set out in the paragraph headed "Conditions precedent of the Subscription" below. Detailed terms of the Convertible Bonds are set out in the paragraph headed "Principal terms of the Convertible Bonds" below.

PROPOSED SET OFF OF THE EXISTING BONDS

Pursuant to the terms and conditions of the Subscription Agreement, the subscription price for the issue of the Convertible Bonds will be settled by the Subscriber by the Proposed Set Off at Completion.

PROPOSED CANCELLATION OF WARRANTS

On 8 July 2014, the Company and the Subscriber entered into the Termination Deed to terminate the instrument for the Warrants and cancel the Warrants issued thereunder. Completion of the Termination is subject to the conditions as set out in the paragraph headed "Conditions precedent of the Termination" below.

* For identification purposes only

SUPPLEMENTAL AGREEMENT TO EXTENSION AGREEMENT

On 8 July 2014, the Company and the Subscriber entered into the Supplemental Agreement to amend certain terms of the Extension Agreement. Pursuant to the Supplemental Agreement, among others, the redemption date of the Existing Bonds was further extended from 28 April 2014 to a date on or before 30 September 2014.

GENERAL

The Conversion Shares will be allotted and issued under the specific mandate proposed to be sought from the Shareholders at the EGM. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

According to Rule 15.06 of the Listing Rules, any alterations in the terms of warrants after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such warrants. An application for the approval of the Termination will be submitted to the Stock Exchange in due course.

A circular containing, among others, details of the Subscription Agreement, the Proposed Set Off, the Termination Deed, a notice to convene the EGM and other information as requested under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable.

As the Subscription Agreement and the Termination Deed may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 9 July 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 18 July 2014.

BACKGROUND OF THE SUBSCRIPTION AGREEMENT

Reference is made to the announcement of the Company dated 26 November 2010 and the circular of the Company dated 9 December 2010, the Company and the Subscriber entered into the subscription agreements in respect of the issue of the Existing Bonds and the Warrants. The subscriptions of the Existing Bonds and the Warrants were completed on 28 January 2011.

Pursuant to the terms and conditions of the Existing Bonds, the Subscriber was entitled to exercise the option to require the Company to redeem the Existing Bonds on the one and only one day, being 28 January 2014, by paying the Subscriber the principal sum of the Existing Bonds plus certain amount of interest accrued thereunder. The Subscriber on 14

November 2013 exercised the option to require the Company to redeem the Existing Bonds at an amount equivalent to the principal amount of the Existing Bonds and a yield accrued thereunder up to 28 January 2014.

The Subscriber and the Company on 27 January 2014 entered into the Extension Agreement in relation to the Existing Bonds. Pursuant to the Extension Agreement, the original redemption date of the Existing Bonds was extended and the redemption money of the Existing Bonds would be increased to an amount equivalent to the Outstanding Accreted Principal Amount together with additional interest calculated based at 6% per annum on a compound basis on the same accrued up to the date of full settlement of the Outstanding Accreted Principal Amount. However, the Company did not redeem the Existing Bonds on or before the extended date of redemption, i.e. 28 April 2014, and had been negotiating with the Subscriber to further extend the redemption date of the Existing Bonds since then.

Reference is also made to the announcement of the Company dated 25 June 2014 in relation to the memorandum of understanding dated 25 June 2014 entered into between the Company and the Subscriber relating the proposed issue of the Convertible Bonds and the Proposed Set off. After arm's length negotiations, the Subscriber and the Company on 8 July 2014 entered into (1) the Subscription Agreement, pursuant to which the Subscriber would subscribe for and the Company would issue the Convertible Bonds and the subscription money of the Convertible Bonds will be settled by the Subscriber by the Proposed Set Off at Completion, (2) the Termination Deed, pursuant to which the unexercised Warrants would be cancelled and (3) the Extension Agreement, pursuant to which, among others, the redemption date of the Existing Bonds was further extended to a date on or before 30 September 2014.

SUBSCRIPTION AGREEMENT

(1) Parties and Date

Date: 8 July 2014 (after trading hours)

Issuer: the Company

Subscribers: the Subscriber

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the Subscriber and its ultimate beneficial owner(s) (if applicable) is an Independent Third Party. Save and except for the Existing Bonds and the Warrants, and an interest in the convertible bonds issued by the Company to Mr. Wu Shaoning (an executive Director and chairman of the Company) in the principal amount of HK\$256 million due to a charge over such convertible bonds executed by Mr. Wu Shaoning in favour of the Subscriber as security for the Company's redemption obligations under the Existing Bonds, the Subscriber and its respective ultimate beneficial owners do not hold any Shares or other securities in the Company and is not acting in concert with any of the Shareholders in respect of the Company as at the date of this announcement.

The Subscriber is a company incorporated Marshall Islands and is principally engaged in investments in the capital market.

(2) Proposed Issue of Convertible Bonds and the Proposed Set off

Subject to fulfillment of the conditions precedent of the Subscription Agreement, (i) the Subscriber shall subscribe for the Convertible Bonds at HK\$109,000,000; and (ii) the Company shall issue the Convertible Bonds to the Subscriber.

The Subscriber and the Company agree that the subscription price for the issue of the Convertible Bonds will be settled by the Subscriber by the Proposed Set Off at Completion.

(3) Principal terms of the Convertible Bonds

Principal amount:	HK\$109,000,000
Denomination:	In denominations and integral amounts of HK\$1,000,000.
Issue price:	The Convertible Bonds will be issued at 100% of the principal amount.
Coupon:	18% per annum (on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed) on the outstanding principal amount of the Convertible Bonds, payable annually in arrears by the Company and the unpaid interest (if any) shall be paid by the Company on the Maturity Date upon the redemption of the Convertible Bonds.
Yield to Maturity:	18% per annum compounded
Maturity Date:	The 5th anniversary of the Issue Date or, if that is not a Business Day, the first Business Day thereafter;
Conversion Right:	Provided that any conversion of the Convertible Bonds (i) does not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code on the part of the Bondholder who has exercised its Conversion Rights and parties acting in concert (as defined under the Takeovers Code) with it; (ii) will not cause the public float of the Company to be unable to meet the relevant requirements under the Listing Rules; and (iii) will be in compliance with applicable laws and regulations including but not limited to the Takeovers Code and the Listing Rules, the Convertible Bonds are convertible in whole or in part at the option of Bondholders thereof into Conversion Shares at the Conversion Price at any time during the Conversion Period.

Conversion Period:	The period commencing at any time from the first day of the seventh month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter) up to the tenth day immediately before the Maturity Date (or, if that is not a Business Day, the first Business Day thereafter) both dates inclusive
Conversion Price:	Initially at HK\$0.22 per Conversion Share, subject to adjustments and reset as set out and in accordance with the terms and conditions of the Convertible Bonds.
	The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber and represents:
	<ul style="list-style-type: none"> (i) a premium of approximately 6.80% over the closing price of HK\$0.206 per Share as quoted on the Stock Exchange on 7 July 2014, being the last trading day of the Shares immediately prior to the date of the Subscription Agreement; (ii) a premium of approximately 8.37% over the average closing price of HK\$0.203 per Share as quoted on the Stock Exchange for the last five trading days prior to the date of the Subscription Agreement; and (iii) a premium of approximately 9.45% over the average closing price of HK\$0.201 per Share as quoted on the Stock Exchange for the last ten trading days prior to the date of the Subscription Agreement;
	The Board considers that the Conversion Price is fair and reasonable and in the interest of the Company and Shareholders as a whole.
Adjustment to the Conversion Price:	The Conversion Price will be adjusted in accordance with the relevant provisions under the terms and conditions of the Convertible Bonds upon occurrence of, among other things, the following events: <ul style="list-style-type: none"> (a) any alteration to the nominal value of the Shares as a result of consolidation or sub-division; (b) issue of Shares by way of capitalization of profits or reserves (other than Share issued in lieu of a cash dividend);

- (c) capital distribution (as defined in the instrument creating Convertible Bonds) to Shareholders;
- (d) right issue of Shares or options, warrants or other rights to subscribe for or purchase Shares;
- (e) right issue of other securities of the Company (other than Shares or options, warrants or other rights to subscribe for or purchase Shares);
- (f) issue for cash of Shares or options, warrants or other rights to subscribe for or purchase Share;
- (g) issue for cash of any securities carrying rights of conversion into, or conversion or subscription for Shares to be issued by the Company upon conversion or subscription;
- (h) where there is any modification made to the rights of conversion or subscription attached to any such securities issued under sub-paragraph (g) above;
- (i) offer of securities in connection with which Shareholders generally (meaning for this purpose holders of at least 60% of the Shares outstanding at the time such offer is made) are entitled to participate in arrangement whereby such securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-paragraph (d) to (e) above); and
- (j) if either the Company or the Bondholders holding not less than 75% in value of the outstanding principal amount of the Convertible Bonds determines that any adjustment should be made to the Conversion Price as a result of one or more events not referred to in sub-paragraphs (a) to (i) above, the Company shall request its auditors to determine what adjustment, if any, to the Conversion Price is fair and reasonable.

In addition to the customary adjustments set out above, the Conversion Price is also subject to the reset adjustment on the Price Reset Date(s) whereby the Conversion Price will be adjusted to the lower of (i) the Conversion Price at the relevant Price Reset Date; and (ii) the average closing price per Share as quoted on the Stock Exchange for the last thirty trading days immediately prior to and including the relevant Price Reset Date, provided that the Conversion Price after such adjustment shall not be lower than the then nominal price per Share throughout the Conversion Period subject to customary adjustments as set out in sub-paragraphs (a) to (i) above.

In addition, any adjustment to the Conversion Price shall not involve an increase in the Conversion Price (except upon any consolidation of the Shares pursuant to sub-paragraph (a) above). The Conversion Price may not be reduced so that, on conversion of any Convertible Bonds, Conversion Shares will be issued at a discount to the nominal price of the Share.

Conversion Shares:

The number of Shares to be issued on exercise of the Conversion Right will be determined by dividing the aggregate of the principal amount of the Convertible Bonds (or, in the case of a conversion of part only of the Convertible Bonds, the principal amount thereof being converted), together with any accrued but unpaid interest to that date (if any), by the Conversion Price in effect on the date of conversion.

Assuming full conversion of the aggregate of the principal amount of the Convertible Bonds on the Maturity Date (without any accrued but unpaid interest to that date) at the initial Conversion Price, a maximum number of 495,454,545 Conversion Shares will be issued by the Company, representing (i) approximately 49.46% of the Company's existing issued share capital as at the date of the Subscription Agreement; and (ii) approximately 33.09% of the Company's issued share capital as enlarged by the issue of the Conversion Shares of 1,497,219,761 Shares upon full conversion of the Convertible Bonds.

Redemption:

The Convertible Bonds will be redeemed by the Company on the Maturity Date at the Redemption Price in HK\$ at the Maturity Date, together with accrued but unpaid interest to the relevant date fixed for such redemption.

Early redemption at the option of the Bondholder:

(A) Put options of the Bondholders

- (1) The Bondholder(s) shall have the put option (the “First Six Months Put Option”) to require the Company to redeem their Convertible Bonds in whole or in part (in multiples of HK\$1,000,000) at the Redemption Price in cash in HK\$, together with accrued and unpaid interest to such date (the “First Six Months Put Amount”) by way of a written notice to the Company (the “First Six Months Put Option Notice”) to exercise the First Six Months Put Option, which shall be exercisable by the Bondholder(s) at any time within the first six calendar months from the Issue Date but only subsequent to and conditional upon the Company having completed after the Issue Date any equity or equity-related fund raising activities with cumulative gross proceeds (the “Equity Gross Proceeds”) of not less than HK\$15,000,000 and that the First Six Months Put Amount shall not be more than 80% of the Equity Gross Proceeds, and further that the First Six Months Put Option Notice must be served within five business days of being notified by the Company of the completion of such equity or equity-related fund raising activities.
- (2) The Bondholder shall have the put option (the “Put Option”) to require the Company to redeem the Convertible Bonds in whole or in part (in multiples of HK\$1,000,000) at the Redemption Price in cash in HK\$ at the particular Put Option Payment Date, together with accrued and unpaid interest to such date (the “Put Amount”) by way of a written notice to exercise the Put Option (the “Put Option Notice”), which shall only be exercisable by the Bondholders at the particular Put Option Payment Date and which must be presented at least 60 days before the Put Option Payment Date:
 - (a) on the last day of the 6th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);

- (b) on the last day of the 9th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
 - (c) on the last day of the 12th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
 - (d) on the last day of the 24th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
 - (e) on the last day of the 36th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
 - (f) on the last day of the 48th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
- (the “Put Option Payment Dates” and each a “Put Option Payment Date”)

Upon receipt of the First Six Months Put Option Notice or the Put Option Notice, the Company shall redeem the First Six Months Put Amount or the Put Amount (as stated in the First Six Months Put Option Notice or the Put Option Notice (as the case may be)) in its entirety in cash in HK\$ at the latest within five Business Days of the First Six Months Put Option Payment Date or the Put Option Payment Date (as the case may be).

(B) Upon delisting or change of the single largest Shareholder

Upon (i) the Shares cease to be listed or admitted to trading on the Stock Exchange; or (ii) trading in the Shares on the Stock Exchange has been suspended for a period of 30 consecutive trading days or more, or in the case of suspension pending clearance of announcement or circular as requested by the Stock Exchange in respect of notifiable transactions, a period of 90 consecutive trading days or more; or (iii) the occurrence of a change of the single largest Shareholder, except that the Subscriber and parties acting in concert with it (as defined in the Takeovers Code) are becoming the new single largest Shareholder or any such change arising from any placing of Shares announced prior to the issue of the Convertible Bonds, the Convertible Bonds may be redeemed at the option of the Bondholders, in whole or in part of the Convertible Bond at the Redemption Price in HK\$ (in multiples of HK\$1,000,000) at the date fixed for such redemption, together with accrued but unpaid interest to the relevant date fixed for such redemption.

(C) Upon occurrence of any customary events of default

Upon occurrence of any customary events of default as set out in the terms and conditions of the Convertible Bonds, the Convertible Bonds may be redeemed at the option of the Bondholders in whole or in part of the Convertible Bonds remaining outstanding in HK\$ at the date fixed for such redemption, together with accrued but unpaid interest to the relevant date fixed for such redemption.

Early Redemption at the option of the Company:

The Company shall have an option (the “Full Redemption Call Option”) to redeem the Convertible Bonds in whole (but not in part) at the Redemption Price in cash in HK\$ at the particular Full Redemption Call Option Payment Date, together with accrued and unpaid interest to such date by way of a written notice to the relevant Bondholders (the “Full Redemption Call Option Notice”), which shall only be exercisable by the Company at the particular Full Redemption Call Option Payment Date and which must be delivered to the relevant Bondholders at least 30 days before the Full Redemption Call Option Payment Date, i.e. any day within the first six calendar months from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter) (the “Full Redemption Call Option Payment Date”).

The Company also have an option (the “Call Option”) to redeem the Convertible Bonds in whole or in part (in multiples of HK\$1,000,000) at the Redemption Price in cash in HK\$ at the particular Call Option Payment Date, together with accrued and unpaid interest to such date (the “Call Amount”) by way of a written notice to the relevant Bondholders (the “Call Option Notice”), which shall only be exercisable by the Company at the particular Call Option Payment Date and which must be delivered to the relevant Bondholders at least 60 days before the Call Option Payment Date, i.e. on:

- (1) the last day of the 9th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
- (2) the last day of the 12th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
- (3) the last day of the 24th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);
- (4) the last day of the 36th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);

(5) the last day of the 48th calendar month from the Issue Date (or, if that is not a Business Day, the first Business Day thereafter);

(the “Call Option Payment Dates” or each “Call Option Payment Date”)

The Company shall redeem the Convertible Bonds called under the Call Option Notice or the Full Redemption Call Option Notice in its entirety in cash in HK\$ at the latest within five Business Days of the Call Option Payment Date or Full Redemption Call Option Payment Date (as the case maybe). Notwithstanding above, upon receipt of the Call Option Notice, the relevant Bondholder(s) shall still have the option to convert in whole or in part any of the outstanding Convertible Bonds subject to redemption under the Call Option into Conversion Shares in accordance with the terms and conditions of the Convertible Bonds and any such converted Convertible Bonds will be deducted from the Call Amount to be redeemed on the Call Option Payment Date.

Status of the Convertible Bonds:

The Convertible Bonds constitute general and unsubordinated obligations of the Company and rank equally among themselves and *pari passu* with all other present and future unsubordinated obligations of the Company except for obligations accorded preference by mandatory provisions of applicable law.

Security:

The Convertible Bonds, upon issue, are secured by a charge over the convertible bonds (convertible into Shares) issued by the Company to Mr. Wu Shaoning (“**Mr. Wu**”), an executive Director and the chairman of the Company, executed by Mr. Wu in favour of the Subscriber.

Transferability:

The Convertible Bonds are freely transferable provided that any transfer to connected persons shall be subject to prior written consent of the Company. Any transfer of the Convertible Bonds shall be in compliance with the applicable provisions of the Listing Rules and other applicable laws and regulations.

Ranking:

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

No application will be made for the listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

(4) Conditions precedent of the Subscription

Completion is conditional upon the fulfillment of the following conditions precedent:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, all of the Shares to be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Bonds to be issued at Completion;
- (b) if necessary, the passing by the Shareholders at the EGM of an ordinary resolution of the Company approving the Subscription Agreement and the transactions contemplated thereunder including but not limited to the Proposed Set Off and the allotment and issue of the Conversion Shares and the creation and issue of the Convertible Bonds;
- (c) the instrument for the Warrants having been mutually terminated and the Warrants having been cancelled by the Company and the Subscriber; and
- (d) if necessary, all other necessary consents and approval for the issue of the Convertible Bonds, the termination of Warrants and the Proposed Set Off having been obtained.

If any of the above conditions are not fulfilled on or before 5:00 p.m. on 30 September 2014 or such other date as the Company and the Subscriber may agree, the Subscription Agreement will lapse and become null and void and the parties shall be released from all obligations thereunder, save the liabilities for any antecedent breaches thereof.

(5) Completion

Completion shall take place on or before the second Business Day after the conditions precedent specified in the Subscription Agreement have been fulfilled (or such other time and date as the Subscriber and the Company may agree in writing).

(6) Specific Mandate

The Conversion Shares shall be allotted and issued under the specific mandate proposed to be sought from the Shareholders at the EGM.

TERMINATION DEED

On 8 July 2014, the Company and the Subscriber entered into the Termination Deed to terminate the instrument for the Warrants and cancel the Warrants issued thereunder.

Conditions precedent of the Termination

The Termination shall be conditional upon and subject to:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM approving the Termination Deed and the transactions contemplated thereunder, if necessary; and
- (b) the approval of the Stock Exchange on the Termination having been obtained in accordance with the Listing Rules.

The Company shall exercise all its best endeavours to procure the satisfaction of the conditions specified in above by 30 September 2014. In the event any of the conditions referred to in above not being fulfilled (or waived) by 5:00 p.m. on 30 September 2014 (or such other time and date as may be agreed by the Company and the Subscriber), the Termination Deed, but not the instrument for the Warrants, shall cease and determine and neither party shall have any claim against the other under this Termination Deed, save for any antecedent breaches of the terms thereunder.

For avoidance of doubts, in the event any of the conditions referred to in above not being fulfilled (or waived) by 5:00 p.m. on 30 September 2014 (or such other time and date as may be agreed by the Company and the Subscriber), the instrument for the Warrants shall remain in full force and effect and all existing rights, obligations and liabilities of the parties under the instrument for the Warrants shall remain enforceable and exercisable.

According to Rule 15.06 of the Listing Rules, any alterations in the terms of warrants after issue must be approved by the Stock Exchange, except where the alterations take effect automatically under the existing terms of such warrants. An application for the approval of the Termination will be submitted to the Stock Exchange in due course.

SUPPLEMENTAL AGREEMENT TO EXTENSION AGREEMENT

On 8 July 2014, the Company and the Subscriber entered into the Supplemental Agreement to amend certain terms of the Extension Agreement. Pursuant to the Supplemental Agreement, among others, the redemption date of the Existing Bonds was further extended from 28 April 2014 to a date on or before 30 September 2014.

REASONS FOR THE ISSUE OF CONVERTIBLE BONDS, USE OF PROCEEDS AND THE FURTHER EXTENSION OF REDEMPTION DATE OF THE EXISTING BONDS

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

Since the Company was not able to fully redeem the Existing Bonds on or before 28 April 2014 pursuant to the Extension Agreement, after arm's length discussion with the Subscriber on the possible ways to refinance the redemption of the Existing Bonds, the Company and the Subscriber entered into the Subscription Agreement, pursuant to which, subject to the conditions precedent, the Subscription shall be taken place and the Proposed Set off shall be

implemented by setting off the redemption money of the Existing Bonds with the subscription price of the issue of the Convertible Bonds under the Subscription on or before 30 September 2014.

In view of the Proposed Set off and the Subscription, the redemption date of the Existing Bonds shall also be extended to maintain the Company's position under the Existing Bonds. Hence the Company and the Subscriber entered into the Supplemental Agreement on the same day, among others, to further extend the redemption date of the Existing Bonds to a date on or before the latest date for the Subscription and the Proposed Set off.

The Board considers that the proposed issue of the Convertible Bonds, the Proposed Set Off and the extension of the redemption date of the Existing Bonds will be in the interests of the Company and the Shareholders as a whole. By replacing the Existing Bonds with the Convertible Bonds and further extending its date of redemption, the Company will be released from redeeming the Existing Bonds in cash forthwith and allow the Company to settle the Outstanding Accrued Principal Amount and any additional interest accrued thereunder at a later date.

Furthermore, the Convertible Bonds grant a right to the Company for early redemption of the Bonds at certain particular dates in coming future and therefore allow the Company to have more certainty on its cash flow control, and the Company could have greater flexibility in operating its business.

It is expected that there will be no or minimal proceeds generating from the issue of the Convertible Bonds as the subscription price for the issue of the Convertible Bonds will be settled by the Subscriber by the Proposed Set Off at Completion.

REASONS FOR THE CANCELLATION OF WARRANTS

In view of the prevailing market price of the Shares, the Subscriber has no current intention to and preliminarily agreed not to exercise the Warrants before their expiry. The Board considers that the Termination and the cancellation of the Warrants would make room for future issuance of warrants as and when opportunities arise, since the securities to be issued on the exercise of the warrants, when aggregated with all other equity securities which remain to be issued upon exercise of any other subscription rights, shall not exceed 20% of the issued equity capital of the Company under Rule 15.02(1) of the Listing Rules.

As such, the Board considers that the terms of the issue of the Convertible Bonds, the Proposed Set Off and the Termination are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Board is also of the view that the Termination and the cancellation of the Warrants will not have any material adverse effect on the business and operation of the Group.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The following is the equity fund raising activity conducted by the Company in the past twelve months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
27 January 2014	Issue of unlisted warrants	Approximately HK\$400,000 upon completion of placing of warrants.	General working capital of the Group	Use as intended
		Approximately HK\$22.5 million upon the exercise of the warrants in full, but all the warrants remain unexercised as at the date of this announcement.	General working capital of the Group	Not applicable (all the warrants remain unexercised)

Save as disclosed above, the Company has not conducted any other equity fund raising activities in the past twelve months before the date of this announcement.

CHANGES IN SHAREHOLDING STRUCTURE

Assuming that no new Shares will be issued and none of the outstanding Existing Bonds, outstanding Warrants and the other outstanding convertible bonds of the Company will be converted or exercised, the shareholding structures of the Company (i) as at the date of this announcement; and (ii) upon the full conversion of the Convertible Bonds, are as follows:

Name of Shareholder	As at the date of this announcement		Immediately upon full conversion of the Conversion Bonds (Note 2)	
	Approximate No. of Shares	%	Approximate No. of Shares	%
Mr. Wu Shaoning (Note 1)	231,834,000	23.14	231,834,000	15.49
The Subscriber	—	—	495,454,545	33.09
Other public Shareholders	<u>769,931,216</u>	<u>76.86</u>	<u>769,931,216</u>	<u>51.42</u>
Total	<u>1,001,765,216</u>	<u>100</u>	<u>1,497,219,761</u>	<u>100</u>

Notes:

- (1) Mr. Wu Shaoning is an executive Director and the chairman of the Company.

- (2) 495,454,545 Conversion Shares will be allotted and issued based on the assumption that the Conversion Rights will be exercised at the initial Conversion Price of HK\$0.22 per Conversion Share.

EGM

The Conversion Shares will be allotted and issued under the specific mandate proposed to be sought from the Shareholders at the EGM. Application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Share.

The EGM will be held to consider and, if thought fit, to approve, among others, the Subscription Agreement and the transactions contemplated thereunder, the specific mandate for the allotment and issue of the Conversion Shares and, if necessary, the Termination Deed and the transactions contemplated thereunder. To the best knowledge, information and belief of the Directors, and having made all reasonable enquiries, no Shareholder has material interest in the issue of the Convertible Bonds and therefore, no Shareholder is required to abstain from voting at the EGM.

A circular containing, among others, details of the Subscription Agreement, the Proposed Set Off, the Termination Deed, a notice to convene the EGM and other information as requested under the Listing Rules is expected to be despatched to the Shareholders as soon as practicable.

GENERAL

Completion of the Subscription Agreement and the Termination Deed are subject to the satisfaction and/or waiver of their respective conditions precedent. The completion of the Subscription Agreement is conditional upon the completion of the Termination Deed but not the vice versa. **As the Subscription Agreement and the Termination Deed may or may not complete, holders of securities of the Company and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 9 July 2014 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 18 July 2014.

DEFINITIONS

Unless the context requires otherwise, the following terms have the following meanings in this announcement:

“Board”	board of the Directors
“Bondholder(s)”	holder(s) of the Convertible Bonds
“Business Day”	any day (excluding a Saturday, a Sunday and any public holiday and any day on which a tropical cyclone warning no.8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China Agrotech Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Subscription Agreement
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Conversion Period”	the period commencing at any time from the first day of the seventh month from the Issued Date (or, if that is not a Business Day, the first Business Day thereafter) up to the tenth day immediately before the Maturity Date (or, if that is not a Business Day, the first Business Day thereafter), both dates inclusive
“Conversion Price”	initially at HK\$0.22 per Conversion Share, subject to adjustments and resets in accordance with the terms and conditions of the Convertible Bonds
“Conversion Rights”	the rights attaching to the Convertible Bonds to convert the principal amount or a part thereof into Shares
“Conversion Shares”	the Shares which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	the five-year 18% coupon convertible bonds in principal amount of HK\$109,000,000 to be issued by the Company to the Subscriber pursuant to the Subscription Agreement
“Directors”	directors of the Company

“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, passing the resolution to approve, among others, the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Conversion Shares and, if necessary, the Termination Deed and the transactions contemplated thereunder
“Existing Bonds”	five-year zero coupon convertible bonds in the principal amount of RMB70,000,000 convertible into Shares at the initial conversion price of HK\$1.00 per Share which were adjusted to HK\$0.70 per Share according to the terms and conditions therein
“Extension Agreement”	the extension agreement dated 27 January 2014 and entered into between the Company and the Subscriber in relation to the postponement of the agreed date of full redemption of the Existing Bonds
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Issue Date”	in respect of the Convertible Bonds, the date of the issue of the Convertible Bonds in accordance with the terms of the Subscription Agreement
“Listing Committee”	the listing committee of the Stock Exchange for considering applications for listing and the granting of listing
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the 5th anniversary of the Issue Date or, if that is not a Business Day, the first Business Day thereafter
“Outstanding Accreted Principal Amount”	the amount of RMB83,371,120 as at 28 January 2014, which comprised the outstanding principal amount of the Existing Bonds of RMB70,000,000 and a yield of 6% per annum on a compound basis calculated up to 28 January 2014 according to the terms and conditions of the Existing Bonds being RMB13,371,120

“PRC”	the People’s Republic of China
“Price Reset Date(s)”	the date falling each 3 month anniversaries after the Issue Date
“Proposed Set Off”	the proposed set off of the Outstanding Accreted Principal Amount and a yield at 6% per annum on a compound basis accrued thereunder up to the date of Completion for settlement of the subscription price for the issue of the Convertible Bonds under the Subscription Agreement at Completion
“Redemption Price”	100% of the outstanding principal amount of the Convertible Bonds
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Specific Mandate”	the specific mandate to be sought from the Shareholders at the EGM in respect of the issue of the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Concept Capital Management Limited, a company incorporated in Marshall Islands with limited liability
“Subscription”	the subscription of the Convertible Bonds by the Subscriber pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 8 July 2014 and entered into between the Company and the Subscriber in relation to the Subscription and issue of the Convertible Bonds
“Supplemental Agreement”	the supplemental agreement dated 8 July 2014 and entered into between the Company and the Subscriber in relation to amendments of certain terms in the Extension Agreement
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Termination”	the mutual termination of the instrument for Warrants by the Subscriber and the Company pursuant to the terms of the Termination Deed
“Termination Deed”	the termination deed dated 8 July 2014 and entered into between the Company and the Subscriber in relation to the Termination and the cancellation of the Warrants

“Warrants”	thirty (30) unlisted warrants issued by the Company entitling the Subscriber to subscribe for an aggregate of 60,000,000 new Shares at the relevant exercise price
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 17 July 2014

As at the date of this announcement, the Board comprises Mr. Wu Shaoning and Ms. Chen Xiao Fang, who are the executive Directors, and Mr. Wong Kin Tak, Mr. Zhang Shaosheng and Mr. Cheung Ka Yue, who are the independent non-executive Directors.