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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER, 2013

The board of directors (the “Board”) of China Agrotech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December, 2013 together with the comparative figures for the corresponding period in 2012 as set out below. This interim results announcement has been reviewed by the Company’s audit committee.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended	
		31 December,	
		2013	2012
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	2,593,701	2,476,468
Cost of sales		<u>(2,467,915)</u>	<u>(2,330,048)</u>
Gross profit		125,786	146,420
Other revenue and other net income		25,494	23,809
Gain from compensation of shortfall of guaranteed profit arising from an acquisition		–	150,000
Gain/(loss) from change in fair value of derivative financial liabilities		5,014	(1,312)
Gain/(loss) arising from change in fair value less costs to sell of biological assets		1,294	(1,793)
Distribution costs		(30,159)	(26,046)
Administrative expenses		<u>(50,890)</u>	<u>(62,879)</u>
Profit from operations		76,539	228,199
Finance costs		<u>(61,778)</u>	<u>(66,323)</u>
Profit before taxation	3	14,761	161,876
Income tax	4	<u>(3,871)</u>	<u>(209)</u>
Profit for the period		10,890	161,667
Attributable to:			
— Owners of the Company		10,515	161,155
— Non-controlling interests		375	512
Profit for the period		10,890	161,667
Earnings per share	5		
— Basic		<u>HK1.06 cents</u>	<u>HK16.69 cents</u>
— Diluted		<u>HK1.06 cents</u>	<u>HK16.69 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended	
	31 December,	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	10,890	161,667
Other comprehensive income for the period		
Exchange differences on translation of financial statements of subsidiaries in the PRC	30,511	42,682
Income tax relating to components of other comprehensive income	—	—
	<u>30,511</u>	<u>42,682</u>
Other comprehensive income for the period, net of tax		
	30,511	42,682
	<u>30,511</u>	<u>42,682</u>
Total comprehensive income for the period	41,401	204,349
	<u>41,401</u>	<u>204,349</u>
Attributable to:		
Owners of the Company	40,786	203,837
Non-controlling interests	615	512
	<u>41,401</u>	<u>204,349</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December, 2013 (Unaudited) <i>HK\$'000</i>	At 30 June, 2013 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		155,230	127,506
Lease premiums for land		11,111	11,190
Biological assets		1,101,185	1,043,773
Intangible assets		48,457	52,606
Goodwill		87,903	86,837
Available-for-sale financial assets		29,020	39,207
		1,432,906	1,361,119
Current assets			
Lease premiums for land		289	286
Inventories		146,416	87,210
Trade and other receivables	6	3,931,904	3,298,159
Trading securities		3,722	3,677
Restricted bank deposits		765,672	828,038
Cash and cash equivalents		164,995	98,037
		5,012,998	4,315,407
Current liabilities			
Trade and other payables	7	(2,781,226)	(2,125,790)
Bank and other loans		(1,065,758)	(1,007,524)
Tax payable		(36,113)	(32,491)
Derivative financial liabilities		–	(5,014)
Convertible bonds		(61,977)	–
		(3,945,074)	(3,170,819)
Net current assets		1,067,924	1,144,588
Total assets less current liabilities		2,500,830	2,505,707

	At 31 December, 2013 (Unaudited) HK\$'000	At 30 June, 2013 (Audited) HK\$'000
Non-current liabilities		
Bank loans	–	(1,033)
Convertible bonds	(536,087)	(585,811)
Deferred tax liabilities	(10,869)	(11,466)
	<u>(546,956)</u>	<u>(598,310)</u>
NET ASSETS	<u>1,953,874</u>	<u>1,907,397</u>
CAPITAL AND RESERVES		
Share capital	100,177	99,377
Share premium and reserves	1,832,939	1,785,913
	<u>1,933,116</u>	<u>1,885,290</u>
Total equity attributable to owners of the Company	1,933,116	1,885,290
Non-controlling interests	20,758	22,107
	<u>1,953,874</u>	<u>1,907,397</u>
TOTAL EQUITY	<u>1,953,874</u>	<u>1,907,397</u>

Note:

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The interim accounts are prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (as applicable to condensed interim accounts) and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal accounting policies used in the preparation of these condensed interim accounts are consistent with those used in the Group’s annual accounts for the year ended 30 June, 2013.

The condensed interim accounts have been prepared under the historical cost convention except where stated otherwise in the accounting policies of the Group’s annual accounts for the year ended 30 June, 2013.

2. TURNOVER AND SEGMENT INFORMATION

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

Turnover represents the sale value of goods supplied to customers and revenue from provision of services.

An analysis of turnover and segment results by business segment of the Group is as follows:

(i) For the six months ended 31 December, 2013

	Trading operation HK\$'000	Manu- facturing operation HK\$'000	Consultancy operation HK\$'000	Non- agricultural resources trading operation HK\$'000	Seedling operation HK\$'000	Group HK\$'000
Revenue from external customers	2,075,016	42,393	12,107	395,360	68,825	2,593,701
Inter-segment revenue	-	-	-	-	-	-
Reportable segment revenue	<u>2,075,016</u>	<u>42,393</u>	<u>12,107</u>	<u>395,360</u>	<u>68,825</u>	<u>2,593,701</u>
Reportable segment profit/(loss) before taxation	<u>18,867</u>	<u>(22,413)</u>	<u>11,050</u>	<u>4,583</u>	<u>21,466</u>	<u>33,553</u>
Interest income	16,067	131	1	755	5	16,959
Finance cost	22,092	1,555	-	6,549	12,288	42,484
<i>Reconciliation of reportable segment profit:</i>						
Reportable segment profit						33,553
Unallocated gain from change in fair value of derivative financial liabilities						5,014
Unallocated finance cost						(19,294)
Unallocated corporate expenses						<u>(4,512)</u>
Consolidated profit before taxation						<u>14,761</u>

(ii) For the six months ended 31 December, 2012

	Trading operation HK\$'000	Manu- facturing operation HK\$'000	Consultancy operation HK\$'000	Non- agricultural resources trading operation HK\$'000	Seedling operation HK\$'000	Group HK\$'000
Revenue from external customers	1,969,763	41,248	25,236	294,911	145,310	2,476,468
Inter-segment revenue	–	5,958	–	1,617	–	7,575
Reportable segment revenue	<u>1,969,763</u>	<u>47,206</u>	<u>25,236</u>	<u>296,528</u>	<u>145,310</u>	<u>2,848,043</u>
Reportable segment profit/(loss) before taxation	<u>12,800</u>	<u>(24,174)</u>	<u>22,985</u>	<u>(3,738)</u>	<u>35,957</u>	<u>43,830</u>
Interest income	16,192	188	5	1,677	59	18,121
Finance cost	20,983	3,310	–	7,991	7,988	40,272
<i>Reconciliation of reportable segment profit:</i>						
Reportable segment profit						43,830
Unallocated gain from compensation of shortfall of guaranteed profit arising from an acquisition						150,000
Unallocated loss from change in fair value of derivative financial liabilities						(1,312)
Unallocated finance cost						(26,051)
Unallocated corporate expenses						<u>(4,591)</u>
Consolidated profit before taxation						<u>161,876</u>

As all the Group's revenue from external customers was generated in Mainland China, no geographical segment analysis is presented.

3. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging and crediting the following items:

	Six months ended	
	31 December,	
	2013	2012
	HK\$'000	HK\$'000
After charging:		
Interest on bank loans and other borrowings wholly repayable within five years	42,484	40,272
Interest on convertible bonds	19,294	19,400
Interest on promissory notes	<u>–</u>	<u>6,651</u>
Total interest expense on financial liabilities not at fair value through profit or loss	61,778	66,323
Staff costs (including directors' emoluments)	17,901	16,384
Amortisation		
— lease premiums for land	229	310
— intangible assets	4,762	4,624
Operating lease rentals of premises	6,591	5,467
Depreciation of property, plant and equipment	7,684	7,881
After crediting:		
Interest income on financial assets not at fair value through profit or loss	16,959	18,121

4. INCOME TAX

The Company is exempted from taxation in the Cayman Islands until 2019. No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong.

The PRC enterprise income tax has been provided at the rate of 25% (2012: 25%).

No deferred tax liabilities on dividend have been recognised, as the Company controls the dividend policy of its subsidiaries and it has been determined that the profits earned by the Company's PRC subsidiaries for the period from 1 January, 2008 to 31 December, 2013 will not be distributed in the foreseeable future.

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

(a) Earnings

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	10,515	161,155

(b) Weighted average number of ordinary shares

	Number of shares	
	2013 <i>'000</i>	2012 <i>'000</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	994,407	965,374
Effect of dilutive potential shares	—	—
Weighted average number of ordinary shares used in calculating diluted earnings per share	994,407	965,374

Convertible bonds and unlisted warrants had anti-dilutive effects on the basic earnings per share for the six months ended 31 December, 2012 and 2013.

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivables with the following ageing analysis based on invoice date as of the end of the reporting period:

	At 31 December, 2013 <i>HK\$'000</i>	At 30 June, 2013 <i>HK\$'000</i>
0-90 days	1,197,180	933,824
91-180 days	288,939	130,126
181-365 days	60,543	35,964
Over 365 days	31,655	30,231
	1,578,317	1,130,145
<i>Less:</i> allowance for doubtful debts	(33,057)	(33,057)
	1,545,260	1,097,088

Debts are generally due within six months from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness of the customers, extend the credit period upon a customer's request.

7. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 31 December, 2013 <i>HK\$'000</i>	At 30 June, 2013 <i>HK\$'000</i>
0–30 days	684,940	367,670
31–60 days	236,036	245,761
61–90 days	179,884	185,333
91–180 days	1,142,129	985,830
Over 180 days	29,908	38,371
	<u>2,272,897</u>	<u>1,822,965</u>

8. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of any interim dividend for the six months ended 31 December, 2013 (2012: nil).

BUSINESS REVIEW AND OUTLOOK

Overall Results

For the six months ended 31 December, 2013, the Group's consolidated turnover was approximately HK\$2,593,701,000 (2012: HK\$2,476,468,000) and profit attributable to owners of the Company was approximately HK\$10,515,000 (2012: HK\$161,155,000), representing an increase of about 5% and a decrease of about 93% respectively as compared to the last financial period. The significant decrease in profit attributable to owners of the Company was mainly due to that there was a record of a gain from compensation of shortfall of guaranteed profit arising from an acquisition, amounted to HK\$150,000,000 during the six month period ended 31 December, 2012 while there was no such gain during the six month period ended 31 December, 2013 upon expiry of the relevant profit guarantee period.

Excluding the impact of certain non-cashflow items (i.e. gain/loss arising from change in fair value less costs to sell of biological assets, gain/loss from change in fair value of derivative financial liabilities, and notional interest expense on financial liabilities) and the non-recurring item of the last period of gain from compensation of shortfall of guaranteed profit arising from an acquisition, net profit was approximately HK\$23,501,000 (2012: HK\$40,311,000), representing a decrease of about 42%. This was mainly due to the decrease in segment profit of the seedling operation as a result of corresponding decrease in sale of small seedlings of whitebark pines (a major seedling species) during the period after promotional sales of such category of whitebark pines during the last period upon implementation of the strategy of adjusting the seedlings product mix.

The Group's businesses can be divided into three categories, namely, (i) agricultural resources operation; (ii) trading of non-agricultural resources products; and (iii) seedling operation. 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. The seedling operation represents nursing, planting and sales of landscaping seedlings.

The increase in consolidated turnover of the Group was mainly due to the increase in sale of agricultural resources products, though at lower gross profit margins, in order to maintain the Group's competitiveness in the market, and the increase in trading of non-agricultural resources products, such as coal and timber, during the period.

The overall gross profit margin of the Group decreased from 5.9% last period to 4.9% this period. This was mainly due to the decrease in sale of seedling products, which have relatively higher profit margins, during the period.

The aggregate reportable segment profit of the Group was approximately HK\$33,553,000 (2012: HK\$43,830,000), representing a decrease of about 23%. This was mainly due to the decrease in operating profit of the seedling operation and the agricultural resources operation, though mitigated by the turnaround of the non-agricultural resources trading operation during the period.

Agricultural resources operation:

The turnover of the agricultural resources operation is analysed by product segments as follows:

	Six months ended 31 December,			
	2013	Percentage of the total turnover	2012	Percentage of the total turnover
	Turnover <i>HK\$'000</i>		Turnover <i>HK\$'000</i>	
Agricultural resources operation				
nitrogenous fertilizer	215,163	10%	197,791	10%
phosphorous fertilizer	359,653	17%	398,486	20%
potash fertilizer	479,562	22%	551,846	27%
compound fertilizer	969,545	46%	703,199	34%
pesticides	105,593	5%	184,925	9%
Total	<u>2,129,516</u>	<u>100%</u>	<u>2,036,247</u>	<u>100%</u>

Aggregate sales volume of fertilizers, including nitrogenous fertilizer, phosphorous fertilizer, potash fertilizer and compound fertilizer, increased from approximately 576,000 tonnes last period to approximately 612,000 tonnes this period. The aggregate turnover of fertilizers for this period was approximately HK\$2.024 billion, representing a growth of about 9% as compared to approximately HK\$1.851 billion last period. Gross profit margin of fertilizers decreased from an average of 3.4% last period to 3.2% this period.

For pesticides, due to decrease in market demand and shrink in profit margin, turnover decreased by 43% from approximately HK\$185 million last period to approximately HK\$106 million this period. Gross profit margin of pesticides decreased from an average of 9.3% last period to 9.0% this period due to the increase in purchase cost during the period.

Gross profit of agricultural resources operation amounted to approximately HK\$74.9 million (2012: HK\$79.8 million), representing a decrease of approximately 6% as compared to the last period. Overall gross profit margin of agricultural resources operation decreased from approximately 3.9% last period to 3.5% this period, which was mainly due to the general shrink in profit margins of the products during the period. Gross profit of fertilizers increased from approximately HK\$62.6 million last period to approximately HK\$65.4 million this period, while gross profit of pesticides decreased from approximately HK\$17.2 million last period to approximately HK\$9.5 million this period. As a result, segment profit of agricultural resources operation decreased from approximately HK\$11.6 million last period to approximately HK\$7.5 million this period.

Trading of Non-Agricultural Resources Products

For trading of non-agricultural resources products, the increase in turnover was mainly due to the increase in trading of coal and timber during the period. As a result, turnover and gross profit increased by 34% and 51% to approximately HK\$395 million (2012: HK\$295 million) and HK\$15.0 million (2012: HK\$9.9 million) respectively this period, while operating profit margin increased from approximately 0.9% last period to approximately 2.6% this period due to general increase in gross margin of various products, which also resulted in the record of a segment profit of HK\$4.6 million this period as compared to a segment loss of HK\$3.7 million last period.

Seedling operation:

The Group completed the acquisition of a landscaping seedling enterprise in November 2010. The enterprise, namely, Shanxi Astro-wood, currently operates a total of six seedling plantation bases in Shanxi and Beijing for the nursing, planting and sale of rare landscaping seedlings in the PRC. The Group also developed a new seedling plantation base in Fujian province in the last year. During the period, the seedling operation contributed a turnover and net profit of approximately HK\$68.8 million (2012: HK\$145.3 million) and HK\$20.2 million (2012: HK\$37.8 million) respectively to the Group (excluding the gain/loss arising from change in fair value less costs to sell of biological assets). Such decreases were mainly due to the corresponding decrease in sale of small seedlings of whitebark pines during the period after promotional sales of such category of whitebark pines during the last period upon implementation of the strategy of adjusting the seedlings product mix.

On the other hand, the seedling business of Shanxi Astro-wood recorded net losses for the years ended 30 June, 2012 and 2011 (the “Profit Guarantee Periods”). Hence, according to the sale and purchase agreement for such acquisition, one of vendors, being the guarantor for the target profit of Shanxi Astro-wood, was obliged to pay the Company an amount of HK\$150 million and HK\$120 million for the respective financial years, which was recorded by the Company as an unallocated other income (“Gain from compensation of shortfall of guaranteed profit arising from an acquisition”) during the six months ended 31 December, 2012 and 2011 respectively. Upon expiry of the Profit Guarantee Periods, no such compensation gain was recorded during the six months ended 31 December, 2013.

Corporate Strategies and Prospects

In the recently announced No. 1 Document of the Central Government of Year 2014, the PRC government continued its policy 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 No. 1 Document emphasized the enhancement of the protection system of food safety and grain supply, the strengthening and speeding up of development of scaled and modernized agriculture operations, as well as improvement of the ecological development of agriculture, which provides the Group with a favorable environment for development in the coming years.

On the other hand, in view of the uncertainties of the worldwide economic environment arising from debt crises of some European countries and the gradual cutting of economic stimulation measures of the United States, as well as the existing tightening lending policies of the PRC banking industry, the Group will continue to strengthen its risk management and will take a prudent approach in the hope of steering clear of adversities in the coming year. The Group will also closely review its business model in order 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 in respect of its agricultural resources operation, the Group will actively strengthen strategic cooperation with upstream brandname suppliers to further explore quality resources and thereby increasing its stability and sustainability. As to the seedling operation, the Group will continue adjusting the seedling products mix and develop new seedling plantation bases in order to improve the performance of the seedling operation.

Furthermore, the Group is continuously seeking investment opportunities with a view to diversifying the Group’s agriculture business, enlarging the Group’s asset base and expanding its source of income. We 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.

LIQUIDITY AND FINANCIAL RESOURCES

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 31 December, 2013, cash and cash equivalents and restricted bank deposits of approximately HK\$930,667,000 included HK\$24,741,000 which was denominated in Hong Kong/US/Euro dollars and HK\$905,926,000 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.

Indebtedness and Banking Facilities

As at 31 December, 2013, the Group had bank and other borrowings of approximately HK\$1,065,758,000 (approximately HK\$942,930,000 was denominated in Renminbi and approximately HK\$122,828,000 was denominated in US/Euro dollars) bearing interest at rates ranging from approximately 2.7% to 11.8% per annum. As at 31 December, 2013, the Group had bills payable of approximately HK\$1.836 billion which was secured by pledged bank deposits of approximately HK\$688 million.

As at 31 December, 2013, the Group had (i) convertible bonds (due in November 2015) with outstanding principal amount of HK\$609 million which was denominated in Hong Kong dollars and non-interest bearing; and (ii) convertible bonds (due in January 2016) with outstanding principal amount of RMB70 million which was denominated in Renminbi and bore a yield-on-maturity/redemption of 6% per annum on a compound basis.

As at 31 December, 2013, the Group's gearing ratio is approximately 86%. This is based on the division of the total amount of bank and others loans and convertible bonds (liability components) by total equity attributable to owners of the Company as at 31 December, 2013. The Directors, taking into account of the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 December, 2013 was reasonable.

Securities in Issue

During the period, the convertible bonds (due in November 2015) with an aggregate principal amount of HK\$8,000,000 were converted into 8,000,000 shares of the Company at the conversion price of HK\$1.00 each.

As at 31 December, 2013, there were 1,001,765,216 ordinary shares in issue and potential ordinary shares arising from (i) the convertible bonds (due in November 2015) in an aggregate outstanding principal amount of HK\$609,000,000 at the conversion price of HK\$1.00 per share (subject to adjustments); (ii) the convertible bonds (originally due in January 2016, but was requested by the bondholder for early redemption in January 2014. Upon compromise with the Company, the redemption is extended to April 2014.) in an aggregate outstanding accreted principal amount of approximately HK\$96,860,000 (being original principal of HK\$81,680,000 plus accrued interest of HK\$15,180,000) at the reset conversion price of HK\$0.70 per share (subject to adjustments); and (iii) unlisted warrants (to be expired in January 2016) conferring rights to subscribe for 60,000,000 shares at the subscription price of HK\$1.20 per share.

Save as disclosed above, there was no movement in the issued share capital of the Company during the six months ended 31 December, 2013.

Commitments

As at 31 December, 2013, the Group had no significant outstanding contracted capital commitments.

Contingent Liabilities

As at 31 December, 2013, the Group had no material contingent liabilities.

Remuneration Policies

The Group incurred total salaries and other remunerations of approximately HK\$17.9 million with an average number of about 1,000 staff during the six months ended 31 December, 2013.

Remuneration packages comprise salary, mandatory provident fund and year-end bonus based on individual merits. A new 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 19 June, 2013. During the six months ended 31 December, 2013, no share option was granted to the relevant participants under the Scheme.

EVENTS AFTER THE REPORTING PERIOD

1. On 18 June, 2013, China Ecotech Limited, an indirect wholly-owned subsidiary of the Company, as the Purchaser and the vendors entered into an equity transfer agreement (the “Agreement”) in relation to the acquisition of 32% equity interest (the “Sale Equity Interest”) of Guangdong Jiuhua Potatoes Industry Company Limited (“Guangdong Jiuhua”). Pursuant to the Agreement, China Ecotech Limited agreed to acquire from the vendors the Sale Equity Interest at a cash consideration of RMB25 million. Upon completion, the Group 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 accounted for using equity method by the Group. Guangdong Jiuhua and its subsidiaries are principally engaged in the propagation and sale of seed potatoes and trading of fresh potatoes in the PRC.

The entering into the Agreement constituted a discloseable transaction of the Company under the Listing Rules. Details of the Agreement and the transactions contemplated thereunder is set out in the announcement of the Company dated 18 June, 2013. Subsequently, upon the entering into of two supplemental agreements for the extension of the completion of the acquisition, the Agreement and the transactions contemplated thereunder are expected to be completed by end of July 2014.

2. The Company and a subscriber entered into a warrant subscription agreement (the “Warrant Subscription Agreement”) on 27 January, 2014, for the issue of unlisted warrants which entitled the holders of the warrants to subscribe for 50,000,000 shares of the Company at the initial subscription price of HK\$0.45 per share. Upon the fulfillment of all the conditions precedent set out in the Warrant Subscription Agreement, the Company has completed the issue of the unlisted warrants on 6 February, 2014.

Details of the Warrant Subscription Agreement and the transactions contemplated thereunder are set out in the Company’s announcement dated 27 January, 2014.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

The Company did not redeem any of its listed securities during the six months ended 31 December, 2013. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s listed securities during the six months ended 31 December, 2013.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December, 2013, except for the following deviations:

1. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Wu Shaoning. This constitutes a deviation from code provision A.2.1 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Wu Shaoning provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and execution of business strategies. The Board also believes that the present arrangement is beneficial to the Company and the shareholders as a whole.
2. Under code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to other essential business engagements, Mr. Zhang Shaosheng, being an independent non-executive director of the Company, did not attend the annual general meeting of the Company held on 6 December, 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company had made specific enquiry with all Directors and all of them confirmed that they have complied with the Model Code throughout the six months ended 31 December, 2013.

REVIEW OF ACCOUNTS

The Audit Committee comprises the three independent non-executive directors of the Company. The Audit Committee has reviewed with the Company’s management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including review of the unaudited interim accounts of the Group for the six months ended 31 December, 2013.

GENERAL

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

On behalf of the Board
China Agrotech Holdings Limited
Wu Shaoning
Chairman

Hong Kong, 28 February, 2014