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## IMPORTANT

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The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

**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 or transferred** all your shares in China Agrotech Holdings Limited, you should at once hand this circular, together with the form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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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)*

### PROPOSED GENERAL MANDATES TO ISSUE SHARES AND TO REPURCHASE BY THE COMPANY OF ITS OWN SHARES

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This circular, for which the directors (“Directors”) of China Agrotech Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors of the Company having made all reasonable enquires, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

\* *for identification purposes only*



**CHINA AGROTECH HOLDINGS LIMITED**

**浩倫農業科技集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

*Executive Directors:*

Wu Shaoning (*Chairman*)

Yang Zhuoya (*Managing Director*)

Tung Fai

*Independent Non-executive Directors:*

He Zhongpei

Lam Ming Yung

*Registered office:*

Zephyr House

Mary Street

George Town

Grand Cayman

Cayman Islands

British West Indies

*Principal place of business*

*in Hong Kong:*

Room 2706, 27th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

28th September, 2001

*To Shareholders of the Company*

Dear Sir or Madam,

**PROPOSED GENERAL MANDATES TO ISSUE SHARES  
AND  
TO REPURCHASE BY THE COMPANY OF ITS OWN SHARES**

**INTRODUCTION**

At a meeting of the Board of Directors held on 28th September, 2001, the Directors announced the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 30th June, 2001. It was also announced on the same day that at the Annual General Meeting, resolutions to grant to the Directors general mandates to issue shares of the Company (“Shares”) and to repurchase by the Company of its own Shares (“Repurchase Mandate”) will be proposed. The purpose of this circular is to provide Shareholders with details of the proposed general mandates to be dealt with at the Annual General Meeting.

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## LETTER FROM THE CHAIRMAN

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### GENERAL MANDATES

At the Annual General Meeting to be held on 7th November, 2001 at 10:00 a.m., separate ordinary resolutions will be proposed to renew the general mandates given to the Directors (i) to allot, issue and otherwise deal with Shares not exceeding the aggregate of 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of the passing of such resolution; (ii) to repurchase, inter alia, Shares of the Company comprising the aggregate nominal amount of which does not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company at the date of passing of such resolution; and (iii) adding to such general mandate so granted to the Directors any shares representing the aggregate nominal amount (up to a maximum of 10 per cent. of the aggregate nominal of the Company's then issued share capital) of any Shares repurchased by the Company.

Under the Rules Governing the Listing of Securities on Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), the general unconditional mandates granted on 3rd November, 2000 will lapse at the conclusion of the coming Annual General Meeting, unless renewed at the Annual General Meeting. Resolutions Nos. 4A and 4B in the Notice of Annual General Meeting will be proposed at the Annual General Meeting to renew these mandates. With reference to these resolutions, the Directors wish to state that they have no present intention to repurchase any Shares of the Company pursuant to the relevant mandates.

The explanatory statement, required by the GEM Listing Rules to be sent to Shareholders in connection with the proposed Repurchase Mandate is set out in Appendix to this circular. This contains all the information reasonably necessary to enable Shareholders of the Company to make an informed decision on whether to vote for or against the relevant resolutions.

### ANNUAL GENERAL MEETING

A Notice of the Annual General Meeting to be held on 7th November, 2001 is set out in the 2001 Annual Report of the Company which has been despatched to Shareholders. At the Annual General Meeting, in addition to the ordinary business of the meeting, Resolutions Nos. 4A and 4B will be proposed to approve the general mandates for the issue of Shares and Repurchase Mandate as special businesses.

A copy of the 2001 Annual Report of the Company incorporating copies of the audited consolidated accounts of the Company for the year ended 30th June, 2001 and the directors' and auditors' reports thereon has been despatched to Shareholders together with this circular.

A form of proxy for the Annual General Meeting is enclosed with the 2001 Annual Report of the Company. Whether or not you intend to be present at the Annual General Meeting, you are requested to complete the form of proxy and return it to the principal place of business of the Company at Room 2706, 27/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the meeting. The completion of a form of proxy will not preclude you from attending and voting at the meeting in person.

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## LETTER FROM THE CHAIRMAN

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### RECOMMENDATION

The Board of Directors is of the opinion that the proposals referred to above are in the best interests of the Company and therefore recommend you to vote in favour of the relevant resolutions to be proposed at the Annual General Meeting. The Board of Directors has indicated that the votes attaching to the Shares owned by them will be cast in favour of the resolutions regarding the resolutions to be proposed as special businesses at the Annual General Meeting.

Yours faithfully,  
**Wu Shaoning**  
*Chairman*

This is an explanatory statement given to all Shareholders of the Company relating to a resolution to be proposed at the forthcoming Annual General Meeting authorising the Repurchase Mandate.

This explanatory statement contains all the information required pursuant to Rule 13.08 and other relevant provisions of the GEM Listing Rules which is set out as follows:

## **1. REGULATIONS OF THE GEM LISTING RULES**

### **(a) Shareholders' approval**

All repurchases of securities on Growth Enterprise Market ("GEM") by a company with its primary listing on GEM must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval in relation to specific transactions.

### **(b) Source of funds**

Any repurchases must be financed out of funds legally available for the purpose in accordance with the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

### **(c) Trading restrictions**

A company is authorised to repurchase on GEM or on any other stock exchange recognised by the Securities and Futures Commission in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the aggregate nominal value of the existing issued share capital of that company or warrants to subscribe for shares in the company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchases on GEM if the result of the repurchases would be that the number of the listed securities in public hands would be below the relevant prescribed minimum percentage for that company as determined by the Stock Exchange. A company may only purchase shares on GEM if (1) the purchase price is not higher than the latest (or current) independent bid price or the last independent sale (contract) price quoted or reported on the system (as defined in the Rules of the Stock Exchange), whichever is higher; and (2) the company has not made the opening bid nor any bid in the last 30 minutes before the close of normal trading hours as stipulated in the Rules of the Stock Exchange.

### **(d) Status of repurchased securities**

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(e) **Suspension of repurchase**

Any securities repurchase programme is required to be suspended after a price sensitive development has occurred or has been the subject of directors' decision until the price-sensitive information is made publicly available. In particular, during the period of one month immediately preceding either the preliminary announcement of a company's annual results or the publication of the company's half-year report or a quarterly report, a company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on GEM if a company has breached the GEM Listing Rules.

(f) **Reporting requirements**

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following business day. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the repurchases made during the year and the directors' reasons for making such repurchases. The company shall make arrangements with its broker who effects the repurchases to provide the company in a timely fashion the necessary information in relation to the repurchases made on behalf of the company to enable the company to report to the Stock Exchange.

(g) **Connected parties**

Under the GEM Listing Rules, a company shall not knowingly purchase shares from a connected person (as defined under the GEM Listing Rules) and a connected person shall not knowingly sell his shares to the company. As at 28th September, 2001, being the latest practicable date prior to the printing of this circular (the "Latest Practicable Date") and to the best of the knowledge of the Directors having made all reasonable enquiries, none of the Directors or their associates (as defined in the GEM Listing Rules) has a present intention, in the event that the Repurchase Mandate is approved by Shareholders, to sell Shares to the Company.

## **2. EXERCISE OF THE REPURCHASE MANDATE**

Exercise in full of the Repurchase Mandate, on the basis of 250,000,000 Shares of the Company ("Shares") in issue as at the Latest Practicable Date could result in up to 25,000,000 Shares being repurchased by the Company during the period up to (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or the Companies Law or any other applicable laws of the Cayman Islands to be held; or (iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of the Shareholders of the Company in general meeting, whichever occurs first.

## **3. REASONS FOR REPURCHASES**

Repurchases of Shares will only be made when the Directors believe that such a repurchase will benefit the Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of the Company and/or its earnings per share.

#### **4. FUNDING OF REPURCHASES**

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association and the applicable laws and regulations of the Cayman Islands. The Company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

#### **5. GENERAL**

There might be a material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate is exercised in full. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or on the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

#### **6. UNDERTAKING**

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the memorandum and articles of association of the Company and the applicable laws of the Cayman Islands.

#### **7. THE HONG KONG CODE ON TAKEOVERS AND MERGERS**

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Code"). As a result, a Shareholder, or a group of shareholders acting in concert (within the meaning under the Code), depending on the level of increase in the Shareholder's interests, could obtain or consolidate control of the Company and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Code.

As at the Latest Practicable Date, Wu Shaoning, who is a substantial shareholder of the Company, held 56% of the Shares issued by the Company. In the event that the Directors exercised in full the power to repurchase Shares of the Company in accordance with the terms of the ordinary resolution to be proposed at the Annual General Meeting, the total interests of Wu Shaoning in the Shares of the Company would be increased to approximately 62.2% of the issued Shares of the Company and Wu Shaoning will not be obliged to make a mandatory offer under Rule 26 of the Code in this respect.

In fact, the Directors do not intend to exercise in full the power to repurchase Shares of the Company.

#### **8. SHARE REPURCHASE MADE BY THE COMPANY**

No purchases of Shares have been made by the Company since the listing of the shares of the Company on the GEM on 25th November, 1999, whether on the Stock Exchange or otherwise.

#### **9. CONNECTED PERSON**

No connected person (as defined in the GEM Listing Rules) has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is approved by Shareholders of the Company.

**10. SHARE PRICES**

The highest and lowest prices at which the Shares have traded on GEM during each of the previous twelve months were as follows:

	Shares	
	Highest <i>HK\$</i>	Lowest <i>HK\$</i>
<b>2000</b>		
September	1.16	0.96
October	1.02	0.66
November	0.93	0.74
December	0.83	0.70
<b>2001</b>		
January	0.73	0.62
February	0.83	0.70
March	0.80	0.60
April	1.25	0.82
May	1.68	1.12
June	1.94	1.48
July	1.73	1.28
August	1.52	1.32

**11. PROXY**

A form of proxy for use at the Annual General Meeting is enclosed with the 2001 Annual Report which has been despatched to Shareholders together with this circular. Whether or not they intend to attend the meeting, Shareholders are requested to complete and return the form of proxy to the principal place of business of the Company in Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the Annual General Meeting should Shareholders so desire.