

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

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**CHINA AGRITECH INC**

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Mailing Address  
RM 301 # 11 BUILDING #1  
FUTURE BUSINESS  
1ST STREET OF WULIQIAO  
ROAD, CHAOYANG DI  
BEIJING, F4 100024

Business Address  
RM 301 # 11 BUILDING #1  
FUTURE BUSINESS  
1ST STREET OF WULIQIAO  
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BEIJING, F4 100024  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 8-K  
CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): February 17 , 2009 (February 12, 2009)

**CHINA AGRITECH, INC.**

(Exact name of registrant as specified in its charter)

Delaware

000-49608

75-2955368

(State of Incorporation)

(Commission File No.)

(IRS Employer ID No.)

**Room 3F No. 11 Building, Zhonghong International Business Garden  
Future Business Center,  
Chaoyang North Road, Chaoyang District, Beijing, China 100024**  
(Address of Principal Executive Offices)

Registrant's Telephone Number, Including Area Code:  
**(86)10-59621278**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 1.01: Entry into a Material Definitive Agreement.**

On February 12, 2009, Tailong Holding Company Limited (“Tailong”), a company existing and established under the laws of Hong Kong and wholly owned subsidiary of China Agritech, Inc. (the “Registrant”), a Delaware corporation, entered into (i) a Share Purchase Agreement (the “Purchase Agreement”), attached hereto as Exhibit 10.1, among Yinlong Industrial Co. Ltd. (“Seller”), a company existing and established under the laws of the People’s Republic of China, and Pacific Dragon Fertilizer Co., Ltd. (“Pacific Dragon”), a company existing and established under the laws of the People’s Republic of China and (ii) a Supplemental Purchase Agreement (the “Supplemental Agreement”), attached hereto as Exhibit 10.2, among, Seller, Pacific Dragon, Yu Chang (“Mr. Chang”), an individual residing in the People’s Republic of China and Xiao Rong Teng (“Ms. Teng”), an individual residing in the People’s Republic of China, pursuant to which Tailong acquired Seller’s 10% interest in Pacific Dragon for an aggregate purchase price of \$7,980,000.00 (the “Transaction”). In connection with the Transaction, Tailong issued a promissory note more fully described herein in Item 2.03, and incorporated herein by reference. Mr. Chang, the Chief Executive Officer of the Registrant owns 85% of the Seller’s issued and outstanding shares. Ms. Teng, a member of the board of directors of the Registrant owns the remaining 15% of the Seller’s issued and outstanding shares.

Following the Transaction, the Registrant, through its subsidiaries, will become the sole owner of all issued and outstanding shares of Pacific Dragon, a manufacturer, marketer and distributor of a series of organic liquid compound fertilizers in the People’s Republic of China. Thus, the Registrant, as the sole shareholder of Tailong, will indirectly own 100% of Pacific Dragon.

Under the terms of the Purchase Agreement and the Supplemental Agreement, Tailong has paid or will pay consideration comprised of (i) \$1,000,000 in cash paid at closing, and (ii) a promissory note delivered at closing in the principal amount of \$6,980,000 (the “Promissory Note”), which is more fully described herein in Item 2.03, which is incorporated herein by reference.

Pursuant to the Purchase Agreement and the Supplemental Agreement, Seller, Tailong and Pacific Dragon agree to amend the articles of association of Pacific Dragon and cooperate to obtain approval for the Transaction from the government of the People’s Republic of China. The Supplemental Agreement contains customary representations and warranties. Under the terms of the Supplemental Agreement, Seller, Mr. Chang and Ms. Teng will indemnify Tailong for the breach of (i) any representation or warranty, (ii) any breach or nonperformance of an obligation under the Supplemental Agreement, or (iii) any expenses of Tailong related to the enforcement of its indemnification rights under the Supplemental Agreement. Under the terms of the Supplemental Agreement, Tailong will indemnify the Seller for its breach of any representation, warranty or nonperformance of any obligation under the Supplemental Agreement.

Subject to the approval of the government of the People’s Republic of China, the Transaction is expected to close on or before March 31, 2009.

**Item 2.03: Creation of Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.**

In connection with the Transaction, Tailong entered into the agreement described herein in this Item 2.03. The information set forth under Item 1.01 of this Current Report on Form 8-K is incorporated by reference into this Item 2.03.

(a) On February 12, 2009, in connection with the Supplemental Purchase Agreement described in Item 1.01, Tailong issued an unsecured, interest-free promissory note (the “Promissory Note”), attached hereto as Exhibit 10.3, in the principal amount of \$6,980,000 to Seller as consideration for the purchase of its 10% interest in Pacific Dragon. The Promissory Note has a maturity date of December 31, 2009 and Tailong may prepay all or any portion of the principal of the Promissory Note without penalty. The unpaid principal balance of the Promissory Note is due and payable on December 31, 2009, unless accelerated pursuant to an event of default. The events of default, as defined in the Promissory Note are customary.

- (b) Not applicable.
- (d) Not applicable.
- (e) Not applicable.

**Item 8.01: Other Events.**

On February 17, 2009, the Registrant issued a press release announcing the purchase of the Pacific Dragon shares and describing the transactions disclosed in this Current Report on Form 8-K. A copy of the press release, attached hereto as Exhibit 99.1 to this Current Report on Form 8-K, is being furnished pursuant to Item 8.01 and shall not be deemed to be filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that Section.

**Item 9.01. Financial Statements and Exhibits.**

- (a) Not applicable.
- (b) Not applicable.
- (c) Not applicable.
- (d) **Exhibits.**

<u>Exhibit No.</u>	<u>Description</u>
10.1	Form of Share Purchase Agreement, dated February 12, 2009, among Yinlong Industrial Co., Ltd., Tailong Holding Company Limited, and Pacific Dragon Fertilizer Co. Ltd.
10.2	Form of Supplemental Share Purchase Agreement, dated February 12, 2009, among Yinlong Industrial Co. Ltd., Tailong Holding Company Limited, Pacific Dragon Fertilizer Co. Ltd., Yu Chang, and Xiao Rong Teng
10.3	Form of Promissory Note, dated February 12, 2009, by Tailong Holding Company Limited, in favor of Yinlong Industrial Co. Ltd.
99.1	Press Release, dated February 17, 2009

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## EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
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10.2	Form of Supplemental Share Purchase Agreement, dated February 12, 2009, among Yinlong Industrial Co. Ltd., Tailong Holding Company Limited, Pacific Dragon Fertilizer Co. Ltd., Yu Chang, and Xiao Rong Teng
10.3	Form of Promissory Note, dated February 12, 2009, by Tailong Holding Company Limited, in favor of Yinlong Industrial Co. Ltd.
99.1	Press Release, dated February 17, 2009

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CHINA AGRITECH, INC.

Date: February 17, 2009

/s/ Yu Chang\_\_\_\_\_

Yu Chang  
Chief Executive Officer

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## SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this “*Agreement*”) is made and entered into on February 12, 2009 in Beijing, the People’s Republic of China (the “*PRC*”), by and among:

- A. YINLONG INDUSTRIAL CO. LTD., a company established and existing under the laws of the PRC (“*Seller*”);  
Address: No.143 of Ge Xin Street, Nan Gang District, Harbin, China, 150000  
Legal Representative: Mr. Yu Chang
  
- B. TAILONG HOLDING COMPANY LIMITED, a company established and existing under the laws of Hong Kong (“*Buyer*”); Address: Room 3F No.11 Building, Zhonghong International Business Garden, Future Business Center, Chaoyang North Road, Chaoyang District, Beijing, China 100024  
Legal Representative: Mr. Yu Chang
  
- C. PACIFIC DRAGON FERTILIZER CO. LTD., a company established and existing under the laws of the PRC (the “*Company*”).  
Address: No.20 Dalian Road, Pingfang Industrial Development Zone, Harbin, China, 150000  
Legal Representative: Mr. Yu Chang

Seller, Buyer and the Company shall be referred to individually as a “*Party*” or collectively as the “*Parties*”.

### WITNESSETH

WHEREAS, the Company is duly organized and existing under the laws of the PRC with the status of a legal person, (Business License No. H01679), with its registered address at No. 20 Dalian Road, Pingfang Industrial Development Zone, Harbin, China 150000. The business scope of the Company is the manufacture and sale of organic liquid compound fertilizers and related agricultural products.

WHEREAS, Seller legally and beneficially holds 10% (ten percent) of the shares of stock in the Company (the “*Company Shares*”); and

WHEREAS, the Seller desires to sell the Company Shares to Buyer and Buyer desires to purchase the Company Shares from Seller;

NOW, THEREFORE, in consideration of the premises and agreements set forth herein, and intending to be legally bound, the Parties hereby agree as follows:

**ARTICLE 1**  
**Sale and Purchase of Equity.**

1.1 Subject to the terms of this Agreement, Seller is legal and beneficial owner of the Company Shares and shall transfer and sell said Company Shares to the Buyer. The Buyer shall acquire and purchase from the Seller the Company Shares, together with all rights attaching to them free and clear of all liens and all encumbrances.

1.2 Upon the completion of the registration proceeding and carrying out of the necessary formalities contemplated pursuant to Section 2.1 and 2.2 below, the Buyer shall pay to Seller \$1,000,000.00 as consideration for the transfer hereby contemplated.

1.3 Should it be deemed necessary, the Parties may negotiate for additional terms and conditions in a supplemental agreement.

**ARTICLE 2**  
**Applications for Approval and Registration**

2.1 In order to effectuate the sale of said Company Shares, the Parties hereby agree that the existing articles of association of the Company shall be amended to reflect the change effected by the sale of shares in the ownership of the Company. Promptly after the execution of this Agreement, the Parties shall use all reasonable endeavors to execute appropriate documents to effectuate such changes.

2.2 Seller will assist the Company in filing and obtaining the approval for such transfer from the original approval authority of the Company and to complete the registration process with the original registration authority with the Buyer registered as the sole shareholder of the Company, and shall provide any assistance whenever necessary in such transfer.

2.3 Following the date hereof, each Party agrees to cooperate fully with the other Parties and to execute such further instruments, documents and agreements and to give such further written assurances, as may be reasonably requested by other Parties to better evidence and reflect the transactions described herein and contemplated hereby and to carry into effect the intents and purposes of this Agreement.

**ARTICLE 3**  
**Fees and Expenses**

Each Party shall pay its own costs incurred in connection with the preparation and negotiations of this Agreement, and shall pay all taxes payable by it in respect of the execution of this Agreement.

**ARTICLE 4**  
**Confidentiality**

4.1 Each Party shall maintain confidential the fact that the Parties have executed this Agreement and the terms of this Agreement.

4.2 The obligations under this Article 4 shall survive the expiration or early termination of this Agreement and shall remain in effect for a period of one (1) year from the date of expiration or early termination.



**ARTICLE 5**  
**General Provisions**

5.1 Unless the context requires otherwise, the following applies: The plural of any defined term will have a meaning correlative to such defined term, and words denoting any gender will include all genders. Where a word or phrase is defined herein, each of its other grammatical forms will have a corresponding meaning. Expressions in the singular will include the plural and *vice versa*.

5.2 This Agreement is written in both English and Chinese. Both versions are hereby deemed equally authentic.

5.3 This Agreement will be governed and construed in accordance with the laws of the PRC without regard to any conflicts of law principles. Any and all disputes, controversies and conflicts between the Parties hereto in connection with this Agreement and the performance or non-performance of the obligations set forth herein which cannot be resolved by good faith negotiation shall be submitted to the people's court located in the place of the Company.

5.4 Unless additional terms and conditions are deemed necessary and a supplemental agreement is executed, this Agreement constitute the entire understanding of the Parties with respect to the subject matter hereof. If such supplemental agreement were entered into, said agreement would solely supplement and not supersede this Agreement.

5.5 Any provision of this Agreement may be amended or waived if, and only if, such amendment or waiver is in writing and signed by each of the Parties.

(a) No failure or delay by any Party in exercising any right, power or privilege under this Agreement will operate as a waiver of such right, power or privilege, nor will any single or partial exercise of any right, power or privilege preclude any other or further exercise of such right, power or privilege or the exercise of any other right power or privilege.

5.6 No Party may assign any of its rights or delegate any of its duties under this Agreement without first obtaining the written consent of all other Parties. Subject to the foregoing, this Agreement will be binding upon and inure to the benefit of the Parties and its respective successors and assigns, and no other Person will have any right, benefit or obligation under this Agreement.

5.7 In the event that any provision of this Agreement, including any sentence, section or part hereof, shall be deemed contrary to law or invalid or unenforceable in any respect by a court of competent jurisdiction, the remaining provisions will remain in force and effect to the extent that such provisions can still reasonably be given effect in accordance with the intentions of the Parties, and any invalid and unenforceable provisions will be deemed, without further action on the part of Parties, modified, amended and limited solely to the extent necessary to render the same valid and enforceable.

5.8 Each Party acknowledges and agrees that the other Parties would be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with its specific terms or otherwise are breached. Accordingly, each Party agrees that the other Parties will be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of competent jurisdiction over the Parties and the matter, in addition to any other remedy to which they may be entitled.

5.9 All notices or communications given under this Agreement by the Parties will be in writing and may be sent by facsimile, overnight or delivery, to the Parties at the following addresses:

To the Buyer: Room 3F, No.11 Building, Zhonghong  
International Business Garden, Future  
Business Center, Chaoyang North Road,  
Chaoyang District, Beijing, China 100024

To the Seller: No 143 of Ge Xin Street,  
Nan Gang District,  
Harbin, China 150000

To the Company: No.20 Dalian Road, Pingfang Industrial  
Development Zone, Harbin, China 150000

Such notice or communication will be deemed to have been delivered on the date of receipt by the recipient. The above addresses and facsimile numbers may be changed by the addressee by written notice to the other Parties.

5.10 This Agreement shall become effective upon approval by the original approval authority and shall be submitted to the original registration authority for the change of registration.

**[SIGNATURES APPEAR ON THE FOLLOWING PAGES]**

IN WITNESS THEREOF, the Parties have executed and signed this Agreement as of the date first above written.

**SELLER:**

YINLONG INDUSTRIAL CO. LTD.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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Signature Page of Seller

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IN WITNESS THEREOF, the Parties have executed and signed this Agreement as of the date first above written.

**BUYER:**

TAILONG HOLDING COMPANY LIMITED

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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Signature Page of Buyer

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IN WITNESS THEREOF, the Parties have executed and signed this Agreement as of the date first above written.

**COMPANY:**

PACIFIC DRAGON FERTILIZER CO. LTD.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

[Remainder of Page Intentionally Left Blank]

Signature Page of the Company

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**SUPPLEMENTAL SHARE PURCHASE AGREEMENT**

**by and among**

**Yinlong Industrial Co. Ltd.,**

**Tailong Holdings Company Limited**

**Pacific Dragon Fertilizers Co. Ltd.**

**Yu Chang and Xiao Rong Teng**

**Dated as of February 12, 2009**

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## SUPPLEMENTAL SHARE PURCHASE AGREEMENT

This Supplemental Share Purchase Agreement (the “**Agreement**”), dated as of February 12, 2009, by and among Yinlong Industrial Co. Ltd., a company organized under the laws of the PRC (“**Seller**”), Tailong Holding Company Limited, a company organized under the laws of Hong Kong (“**Buyer**”), Pacific Dragon Fertilizer Co. Ltd. a company organized under the laws of the PRC (the “**Company**”) (each a “**Party**” and collectively the “**Parties**”) and for purposes of Articles 3, 6 and 8 only, Yu Chang, an individual residing in the PRC (“**Mr. Chang**”) and Xiao Rong Teng, an individual residing in the PRC (“**Ms. Teng**” and together with Mr. Chang the “**Shareholders**”).

Whereas, the Parties previously entered into that certain Share Purchase Agreement governed by the laws of China, dated February 12, 2009 (the “**Chinese Agreement**”) by and among Seller, Buyer and the Company;

Whereas, pursuant to the Chinese Agreement, Buyer agreed to purchase Seller’s beneficially and legally owned shares in the Company (the “**Company Shares**”); and

Whereas, the Buyer and Seller have, for additional consideration and benefits, entered into this Agreement to supplement the Chinese Agreement;

Now Therefore, in consideration of the premises and agreements set forth herein, and intending to be legally bound, the Parties hereby agree as follows:

Capitalized terms not immediately defined and used in this Agreement are defined in *Article VII*.

### ARTICLE I The Transaction

**1.1 Payment of Consideration under this Agreement.** At the Closing, Buyer shall deliver to Seller the Promissory Note (as herein after defined) for the benefits described under this Agreement (the “**Consideration**”). The payment of this consideration is subject to the conditions set forth in Article I. Said Consideration is in addition to any payment made between the Parties in the Chinese Agreement.

**1.2 Form of Payment.** Buyer shall deliver to Seller at the Closing an interest free promissory note for \$6,980,000.00 (the “**Promissory Note**”) which must be repaid by December 31, 2009, in substantially the form set forth in Exhibit A.

### ARTICLE II Closing

**2.1 Closing.** The parties shall consummate the payments under this Agreement, and implementation of terms and conditions for the Company Shares (the “**Closing**”) upon the completion of Sections 1.2, 2.1 and 2.2 of the Chinese Agreement (the “**Closing Date**”). The Closing may occur in an office of K&L Gates LLP or such other time and place as Buyer and Seller may agree in writing. If and to the extent the Parties mutually agree, the Closing may take place by exchange of facsimile or electronic signatures without the necessity for a physical meeting of the Parties.

(a) **Litigation.** No Legal Requirement shall be in effect that prohibits or threatens to prohibit the Contemplated Transactions or that would limit or adversely affect Buyer's ownership of the Company Shares or control of the Company. No Legal Proceeding shall be pending or threatened challenging the lawfulness of the Contemplated Transactions, seeking to prevent or delay any of the Contemplated Transactions or seeking relief by reason of the Contemplated Transactions. Neither Seller, the Company, nor Buyer shall have received any claim by any person (written or oral) asserting that any person other than Seller (i) is the holder or beneficial owner of, or has the right to acquire or obtain beneficial ownership of, the Company Shares or any equity interest or right in the Company or the Subsidiaries, or (ii) has any Encumbrance on or Security Rights in the Company Shares.

## 2.2 Deliveries and Proceedings at Closing.

(a) **Deliveries by Seller.** Seller or Company shall deliver to Buyer at the Closing:

(1) share certificate representing the amount of the shares Buyer shall own as provided hereunder and under the Chinese Agreement, which certificate shall be properly endorsed by the Company in accordance with Chinese law and indicated by identifying Buyer as the sole holder of the shares of Company;

(2) shareholders' or board resolutions of the Company and Seller approving the contemplated transactions contemplated under this Agreement and the Chinese Agreement;

(3) the approval documents issued by the competent government body approving the Chinese Agreement, the Company's amended articles of association, including the letter of approval and approval certificate indicating the approval of competent government body for the conversion of the Company into a wholly-owned foreign enterprise with Buyer as the sole shareholder, and the updated business license of the Company issued by the relevant company registry;

(b) **Deliveries by Buyer.** Buyer shall deliver or cause to be delivered to Seller at the Closing, the Promissory Note.

### ARTICLE III Certain Covenants

**Tax Matter - Mutual Cooperation.** Buyer and Seller shall each assist the other, and Buyer shall cause the Company to assist Seller, as may reasonably be requested by any of them with the preparation of any Tax Return, any Tax audit, or any judicial or administrative proceedings relating to any Tax. In addition, each party shall retain and provide the other with any records or information that may be relevant to such Tax Return, Tax audit, proceeding or determination. The party requesting assistance under this Section shall reimburse the party providing assistance for direct expenses incurred in providing such assistance.

## ARTICLE IV

### Representation and Warranties of Seller and the Shareholders

Seller and the Shareholders jointly and severally represent and warrant to Buyer as set forth in this Article IV.

**4.1 Organization; Qualification.** Each of Seller and the Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Each of Seller and the Company has the corporate power and authority to operate, own and lease its properties and carry on its business as now conducted. Each of Seller and the Company has the absolute and unrestricted power, authority and capacity to enter into this Agreement and the Other Agreements to which it is or is to become a party and perform its obligations under this Agreement and such Other Agreements. The Company is duly qualified and in good standing and is duly authorized to transact business. Copies of the Governing Documents of the Company, which have been delivered to Buyer, are complete and correct.

**4.2 Authorization; Enforceability.** This Agreement and each Other Agreement to which Seller, the Company or the Shareholders is a party have been duly executed and delivered by such party and constitute the legal, valid and binding obligations of such party, enforceable against it in accordance with their respective terms. Each Other Agreement to which either Seller, the Company or the Shareholders is to become a party, when executed and delivered by such party, shall constitute the legal, valid and binding obligation of such party, enforceable against it in accordance with the terms of such Other Agreement. Each of Seller, the Company and the Shareholders has duly and validly authorized this Agreement and the Other Agreements to which it is or is to become a party and all of the Contemplated Transactions to be taken by it.

**4.3 No Violation of Laws or Agreements.** To the knowledge of the Seller and the Shareholders, the execution and delivery of this Agreement and the Other Agreements and the consummation and compliance with the Contemplated Transactions by Seller and the Company shall not, directly or indirectly (with or without notice or the lapse of time or both):

(a) contravene, conflict with, or result in a violation of any provision of the Governing Documents of Seller or the Company or the resolutions adopted by the Board or Directors or stockholders of Seller or the Company;

(b) contravene, conflict with, result in a breach of, constitute a default or an event of default under, give any person the right to consent, approve or terminate (including the right to consent, approve or terminate upon a change of control or deemed assignment), or give to any person the right to cause any of the foregoing with respect to, any asset or Liability of Seller or the Company;

(c) accelerate, alter, cause the maturation of or create any Liability of Seller or the Company or give to any other person the right to cause any of the foregoing, or give any person any rights or remedies against Seller or the Company;

(d) alter, diminish or result in the termination, revocation, suspension, cancellation, withdrawal or loss of any asset of Seller or the Company, or create any rights or assets in any other person that may be adverse to the Company;

(e) violate, or give any person the right to obtain any relief or exercise any remedy under, any Legal Requirement to which Seller or the Company is subject, or by which any of their respective assets may be bound or affected, or give any person the right to challenge any of the Contemplated Transactions;

(f) cause Buyer or the Company to become subject to or liable for any Tax or cause any asset of the Company to be reassessed or re-valued by any taxing authority or other Governmental Body; or

(g) result in the creation or imposition of any Encumbrance or Security Right upon the Company Shares, equity or asset of Seller or the Company, give rise to any rights or Liabilities under any Security Rights in the Company Shares or other equity in the Company, or give to any other person any interest or right in any Company Shares, equity or asset of Seller or the Company.

**4.4 Subsidiaries and Investments.** To the knowledge of the Seller and the Shareholders, the Company does not own, nor has it ever owned, any equity interest in any corporation, partnership, limited liability company, joint venture or other entity. The Company is not a party to any contract to acquire any equity or other securities of any other person or ownership interest in any other business.

**4.5 Shares; Capitalization.** To the knowledge of the Seller and the Shareholders, all of the Company Shares are owned of record, legally, beneficially and exclusively by Seller and Seller holds the exclusive right and power to vote the Company Shares. The Company Shares are free and clear of any and all Encumbrances. No legend or other reference to any purported Encumbrance appears upon any certificate representing the Company Shares. Upon delivery of the Company Shares, Buyer will acquire good and valid legal and exclusive title to the Company Shares, free and clear of any Encumbrances. No Security Rights relating to any of the Company Shares or other equity interests of the Company exist or are reserved or will be created by reason of the Contemplated Transactions. No person has an obligation to create or issue any Security Rights with respect to the Company Shares or other equity of the Company. The Company Shares were issued in compliance with all applicable Legal Requirements, including federal and state securities laws, and all applicable Security Rights.

**4.6 Records.** To the knowledge of the Seller and the Shareholders, the books of account and related records of the Company reflect accurately and in detail its assets, Liabilities, revenues, expenses and other transactions. The books of account of the Company have been maintained in accordance with sound business practices and the requirements of Section 13(b)(2) of the Securities Exchange Act of 1934, as amended (whether or not the Company is subject to that Section), including the maintenance of adequate internal controls. The minute books of the Company contain accurate and complete records of all meetings held of, and corporate action taken by, the stockholders, the Board of Directors of the Company, and committees of the Board of Directors of the Company. No meeting of stockholders, the Board of Directors of the Company, and committees of the Board of Directors of the Company has been held for which minutes have not been prepared and are not contained in the minute books of the Company. All minute books of the Company have been made available to Buyer and, at Closing, will be in the possession of the Company.

**4.7 Financial Information.** To the knowledge of the Seller and the Shareholders, attached as Exhibit B are the balance sheets and income statements for the Company at December 31, 2006, December 31, 2007 and September 30, 2008, (the “**Financial Statements**”). The Financial Statements (i) are accurate, correct and complete in accordance with the books of account and records of the Company, (ii) have been prepared in accordance with GAAP on a consistent basis throughout the indicated periods and (iii) present fairly the financial condition, assets and liabilities and results of operation of the Company at the dates and for the relevant periods indicated in accordance with GAAP on a basis consistently applied. No financial statements of any person other than the Company are required under GAAP to be included in the Financial Statements. All references in this Agreement to “**Balance Sheet Date**” mean September 30, 2008, and to the “**September 2008 Balance Sheet**” mean the Company’s balance sheet as at September 30, 2008. The Stockholders’ Equity of the Company at September 30, 2008, as determined by reference to the September 2008 Balance Sheet, was \$47,193,891.40.

**4.8 Undisclosed Liabilities.** To the knowledge of the Seller and the Shareholders, the Company has no Liabilities except (i) those disclosed on Schedule 4.9; and (ii) those of the same nature as those set forth on the September 2008 Balance Sheet that have arisen in the ordinary course of business of the Company after the Balance Sheet Date, none of which is materially different in amount as reflected in the Financial Statements (“**Post-Balance Sheet Liabilities**”). All Post-Balance Sheet Liabilities are consistent in amount and character with past practice and experience. No Post-Balance Sheet Liability has had or will have an adverse effect on the business, financial condition or prospects of the Company. No Post-Balance Sheet Liability is a result of a breach of contract or warranty, a tort or infringement, or violation of any property rights or Legal Requirements. The Company has not discontinued any operations, ceased doing business, sold all or substantially all of its operating assets, operates or formerly operated a business not related to the business, nor has the Company been involved in any merger, consolidation, combination, amalgamation, liquidation, division, dissolution proceedings, bankruptcy or moratorium proceeding at any time.

**4.9 No Changes.** To the knowledge of the Seller and the Shareholders, since the Balance Sheet Date, the Company has conducted the Business only in the ordinary course, consistent with past practice.

**4.10 Tax Returns; Payment.** To the knowledge of the Seller and the Shareholders, the Company has filed on a timely basis all Tax Returns that are or were required to be filed by it under applicable Legal Requirements. All such Tax Returns were correct and complete in accordance with applicable Legal Requirements. Sellers have delivered to Buyer copies of, and Schedule 4.11 contains a complete and accurate list of all such Tax Returns filed.. The Company has paid all Taxes that have been required to be paid under applicable Legal Requirements, including those shown due on the Tax Returns filed by it or under any assessment received as an adjustment to such Tax Returns. The Company is not currently the beneficiary of any extension of time within which to file any Tax Return. No claim has been made by a Taxing authority of a jurisdiction where the Company does not file Tax Returns that the Company is or may be subject to taxation in that jurisdiction. Without limiting the foregoing, the Company has no Liability for any Tax except (i) Taxes disclosed on Schedule 4.11, (ii) Taxes fully reserved on the September 2008 Balance Sheet, and (iii) Taxes accrued after the Balance Sheet Date that will be fully reserved on the balance sheet. Schedule 4.11 identifies the GAAP method of reporting taxes on the Balance Sheet.

(a) **Withholding.** The Company has withheld and paid all Taxes required under applicable Legal Requirements to have been withheld and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other person.

(b) **Assessments; Audits.** There is no pending, or, to the knowledge of Seller and the Company, threatened or anticipated, assessment of any additional Tax against any member of Seller or the Company for any taxable period. Seller or the Company have not waived any statute of limitations in respect of any Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency for any taxable period. No Tax audit or examination is now pending or currently in progress with respect to the Company.

(c) **Other Matters.** The Company is not a party to any income Tax allocation or sharing agreement.

**4.11 Legal Proceedings.** To the knowledge of the Seller and the Shareholders, no Legal Proceeding is pending or threatened against or affecting the Company, any of the Company's assets, any of the Company Shares or the Contemplated Transactions, and there is no basis for any of the foregoing. No officer, director, agent, or employee of the Company is subject to any Legal Proceeding that prohibits such officer, director, agent, or employee from engaging in or continuing any conduct, activity, or practice. No Legal Requirement shall be in effect that prohibits or threatens to prohibit the Contemplated Transactions.

**4.12 Governmental Approvals.** To the knowledge of the Seller and the Shareholders, Schedule 4.13 identifies all Governmental Approvals that are material to the Company. Each Governmental Approval is valid, subsisting and in full force and effect. The Company is in full compliance with and has fulfilled and performed its obligations under each Governmental Approval. No event or condition or state of facts exists (or would exist upon the giving of notice or lapse of time or both) that could constitute a breach or default under any Governmental Approval. The Company has no knowledge of and has not received, at any time, any notice or other communication (whether oral or written) from any Governmental Body or any other person regarding, any actual, alleged, possible, or potential (i) violation of or failure to comply with any term or requirement of any Governmental Approval or (ii) revocation, withdrawal, non-renewal, suspension, cancellation, termination of, or modification to any Governmental Approval. No Legal Proceeding is pending or threatened to revoke, suspend or modify any Governmental Approval or to deny any renewal of any Governmental Approval. All applications required to have been filed for the renewal of any Governmental Approval have been duly filed on a timely basis with the appropriate Governmental Bodies. All other plans, filings, reports, notifications or other submissions required to have been made with respect to such Governmental Approvals or filed with any Governmental Body have been duly made or filed on a timely basis with the appropriate Governmental Bodies. The Governmental Approvals identified on Schedule 4.13 constitute all of the Governmental Approvals necessary to allow the Company to conduct and operate its business in the manner currently conducted and in accordance with all applicable Legal Requirements and allow it to own and use its assets in the manner in which they are currently owned and used.

**4.13 Compliance with Legal Requirements.** To the knowledge of the Seller and the Shareholders, the Company is and has been in full compliance of all Legal Requirements applicable to the Company. No event has occurred or condition or state of facts exists that (with or without notice or lapse of time or both) (i) may constitute or result in a violation or non-compliance by the Company of any Legal Requirement, or (ii) may give rise to any Liability on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature (including any environmental remedial action). The Company has not received any notice or other communication (whether oral or written) from any Governmental Body or any other person regarding (y) any actual, alleged, possible, or potential violation of, or failure to comply with, any Legal Requirement, or (z) any actual, alleged, possible, or potential Liability on the part of the Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

**4.14 Labor Relations.** To the knowledge of the Seller and the Shareholders, the relations of the Company with its employees are good. No representation election, arbitration proceeding, grievance, picketing, labor strike, dispute, slowdown, lockout, stoppage or other labor trouble is pending or, to the knowledge of Seller and the Company, threatened against or affecting the Company.

**4.15 Environmental Matters.** To the knowledge of the Seller and the Shareholders, the Seller represents that there are no environmental matters regarding the Seller or the Company.

**4.16 Disclosure.** To the knowledge of the Seller and the Shareholders, none of the representations or warranties of Seller and the Company contained in this Article IV and none of the information contained in the Schedules referred to in Article IV is false or misleading in any material respect or omits to state a fact necessary to make the statements in this Article IV or in the Schedules to Article IV not misleading in any material respect. There is no fact known to either Seller or the Company that has specific application to the Company (other than general economic or industry conditions) and that materially adversely affects or, as far as either Seller or the Company can reasonably foresee, materially threatens, the assets, prospects, financial condition, or results of operations of the Company that has not been set forth in this Agreement or the Schedules to this Agreement.

## **ARTICLE V**

### **Representations and Warranties of the Buyer**

Buyer represents and warrants to Seller as follows:



**5.1 Organization.** Buyer is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation. Buyer has the corporate power and authority to enter into this Agreement and perform its obligations under this Agreement.

**5.2 Authorization.** This Agreement has been duly executed and delivered by Buyer.

**5.3 No Violation of Laws or Agreements; Required Authorizations.** The execution and delivery of this Agreement and the consummation and compliance with the transactions, terms and conditions of this Agreement by Buyer will not, directly or indirectly (with or without notice or the lapse of time or both): violate, or give any person the right to obtain any relief, or exercise any remedy under, any Legal Requirement to which Buyer is subject, or by which any of its assets may be bound or affected, or give any person the right to challenge any of the Contemplated Transactions.

## **ARTICLE VI**

### **Survival of Representations, Indemnification**

**6.1 Survival of Representations.** All representations, warranties, covenants and obligations made by any party in this Agreement shall survive the Closing. Any limitation or qualification set forth in any one representation and warranty in Article IV or V shall not limit or qualify any other representation and warranty in Article IV or V. The right to indemnification under this Article VI or any other remedy based on the breach or inaccuracy of any representation or warranty in Articles IV or V, or breach of, or noncompliance with, any covenant or obligation in this Agreement will not be affected by any investigation conducted with respect to, or any knowledge acquired (or capable of being acquired) at any time, whether before or after the Closing Date, with respect to any such representation, warranty covenant or obligation. The waiver by any party of any condition at Closing of the breach or inaccuracy of any representation or warranty, or breach of, or noncompliance with, any covenant or obligation, will not affect the right of such party to indemnification, payment of Damages or other remedy based on such breach, inaccuracy or noncompliance.

**6.2 Indemnification by Seller.** Seller, Mr. Chang and Ms. Teng shall indemnify, defend, save and hold harmless Buyer and its officers, directors, employees, agents and Affiliates (including, after the Closing, the Company; each, a “*Buyer Indemnitee*”) from and against all Damages (collectively, “*Buyer Damages*”) directly or indirectly asserted against, imposed upon, resulting to, or incurred or required to be paid by any Buyer Indemnitee from or in connection with:

(a) any breach or inaccuracy of any representation or warranty made by Seller or the Company in this Agreement (without giving effect to any supplement to the Schedules), in any supplement to the Schedules, in any certificate or document delivered by Seller or the Company in connection with this Agreement or any Other Agreement to which Seller or the Company, or both, is or is to become a party;

(b) any breach or nonperformance of any covenant or obligation made by Seller or the Company in or in connection with this Agreement or any Other Agreement to which Seller or the Company, or both, is or is to become a party; or

(c) any investigation, defense, settlement, enforcement, litigation or prosecution by Buyer, or efforts to obtain relief in connection with, any of the foregoing or of any of Buyer's other rights under this Agreement, including any reasonable attorneys fees incurred in connection with Buyer's enforcement of this Agreement or any of Buyer's remedies relating to this Agreement.

**6.3 Indemnification by Buyer.** Buyer shall indemnify, defend, save and hold harmless Seller and its officers, directors, employees, and agents (each, a "***Seller Indemnitee***") from and against any and all Damages (collectively, "***Seller Damages***") directly or indirectly asserted against, imposed upon, resulting to, or incurred or required to be paid by any Seller Indemnitee from or in connection with, (i) any breach or inaccuracy of any representation or warranty made by Buyer in this Agreement or in any certificate or document delivered by Buyer in connection with this Agreement or any Other Agreement to which Buyer is a party, and (ii) a breach or nonperformance of any covenant or agreement made by Buyer in or in connection with this Agreement or in any Other Agreement to which Buyer is or is to become a party.

**6.4 Notice of Claims.** If any Buyer Indemnitee or Seller Indemnitee (an "***Indemnified Party***") believes that it has suffered or incurred, or will suffer or incur, any Damage for which it is entitled to indemnification under this Article VI, the Indemnified Party shall notify the party or parties from whom indemnification is being claimed (the "***Indemnifying Party***"). This notice shall specify the factual basis of the claim in reasonable detail in light of the circumstances then existing. If any Legal Proceeding is instituted by or against a third party with respect to which any Indemnified Party intends to claim any Damages, such Indemnified Party shall notify the Indemnifying Party of such action or suit.

**6.5 Third-Party Claims.** The Indemnified Party shall have the right to conduct and control, through counsel of its choosing, the defense of any third-party claim, action or suit. The Indemnified Party may compromise or settle any third-party claim, action or suit so long as the Indemnified Party gives the Indemnifying Party advance notice of any proposed compromise or settlement. The Indemnified Party shall permit the Indemnifying Party to participate in the defense of any such claim, action or suit through counsel chosen by the Indemnifying Party, so long as the fees and expenses of that counsel are borne by the Indemnifying Party. If the Indemnified Party permits the Indemnifying Party to undertake, conduct and control the conduct and settlement of such claim, action or suit: (i) the Indemnifying Party shall not permit any Encumbrance to exist upon any asset of the Indemnified Party; (ii) the Indemnifying Party shall not consent to any settlement that includes equitable relief and does not include as an unconditional term of the settlement the giving of a complete release from Liability with respect to such action or suit to the Indemnified Party; (iii) the Indemnifying Party shall permit the Indemnified Party to participate in such conduct or settlement through counsel chosen by the Indemnified Party (without any Order by any Governmental Body); and (iv) the Indemnifying Party shall agree promptly to reimburse the Indemnified Party for the full amount of any Damages including fees and expenses of counsel for the Indemnified Party.

**6.6 Company Liability.** After the Closing, the Company shall have no Liability to Seller for any breach of any representation or warranty made by Seller or the Company to Buyer in this Agreement, in any certificate or document furnished in connection with this Agreement by Seller or the Company or any Other Agreement to which Seller or the Company, or both, is or is to become a party.

**ARTICLE VII**  
**Definitions, Construction**

**7.1 Definitions.** The following terms have the meanings specified below or are defined in the Sections referred to below. All accounting terms not specifically defined in this Agreement shall be construed in accordance with GAAP.

“**Affiliate**” means, with respect to any person, any other person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such person.

“**Agreement**” means this Supplemental Share Purchase Agreement, as it may be amended from time to time.

“**Balance Sheet Date**” is defined in *Section 4.8*.

“**Buyer Damages**” is defined in *Section 6.2*.

“**Buyer Indemnitee**” is defined in *Section 6.2*.

“**Chinese Agreement**” is defined in the introductory paragraph of this Agreement.

“**Closing**” is defined in *Section 2.1*.

“**Closing Date**” is defined in *Section 2.1*.

“**Company Shares**” is defined in the introductory paragraph of this Agreement.

“**Contemplated Transactions**” means the sale and purchase of the Company Shares and the transactions contemplated by this Agreement and the Other Agreements.

“**Damage**” means any loss, demand, claim, allegation, assertion, action or cause of action, assessment, damage (including incidental and consequential damages), deficiency, Liability, cost, expense, diminution of value, fine, penalty, judgment, award or settlement, whether or not involving a third-party claim, including reasonable legal fees, interest, and any reasonable amount paid in investigation, defense or settlement of any of the foregoing.

“**Encumbrance**” means any debt, mortgage, deed of trust, pledge, security interest, encumbrance, option, right of first refusal, agreement of sale, adverse claim, easement, lien, lease, assessment, restrictive covenant, Liability, encroachment, right-of-way, burden or charge of any kind or nature whatsoever, legal or equitable, or any item similar or related to the foregoing.

“**Financial Statements**” is defined in *Section 4.8*.

“**GAAP**” means U.S. generally accepted accounting principles.

“**Governing Documents**” means, with respect to any person who is not a natural person, the certificate or articles of incorporation, bylaws, formation or governing agreement and other charter documents or organization or governing documents or instruments of such person.

“**Governmental Body**” means any court, government, department, commission, board, bureau, agency, official or other regulatory, administrative or governmental authority or instrumentality (foreign, federal, state, local or other political subdivision).

“**Indemnified Party**” is defined in *Section 6.4*.

“**Indemnifying Party**” is defined in *Section 6.4*.

“**Legal Proceeding**” means any action, arbitration, audit, hearing, investigation, litigation, suit (whether civil, criminal, administrative, investigative, or informal) or Order commenced, brought, conducted, or heard by or before, or otherwise involving, any Governmental Body or arbitrator.

“**Legal Requirement**” means any applicable international, multinational, national, foreign, federal, state, municipal, local (or other political subdivision) or administrative law, constitution, statute, code, ordinance, rule, regulation, requirement, standard, policy, guidance, treaty, judgment or Order of any kind or nature whatsoever including any public policy, judgment or principle of common law.

“**Liability**” with respect to any person or any property of such person, means any and all debt, liability or obligation of such person of any nature or kind whatsoever, whether or not due or to become due, accrued, fixed, absolute, matured, liquidated, asserted, conditional, secondary, potential, determined, determinable or contingent and whether or not incurred directly by such person or by any predecessor of such person, and whether or not arising out of any act, omission, transaction, circumstance, sale of goods or service, set off, recoupment, counterclaim or otherwise.

“**Order**” means any award, decision, injunction, judgment, order, ruling, writ, decree, determination, subpoena, stipulation or verdict entered, issued, made, or rendered by any court, administrative agency, or other Governmental Body or by any arbitrator.

“**Other Agreement**” means any other agreement or document contemplated by this Agreement to be executed and delivered in connection with the transactions contemplated by this Agreement, including, without limitation, the Chinese Agreement and the Promissory Note.

“**party**” or “**parties**” mean a party or the parties to this Agreement.

“**PRC**” means the People’s Republic of China.

“**person**” means and includes a natural person, a corporation, an association, a partnership, a limited liability company, a trust, a joint venture, an unincorporated organization, a business, a Governmental Body or any other legal entity.

**“Post-Balance Sheet Liability”** is defined in Section 4.9.

**“Required Authorization”** means any registration, filing, declaration, application or notice to or with any person and any consent, approval, permit, qualification, waiver, waiting period, authorization, Order or action of or by any person. **“Required Authorization”** shall include any consent, approval, waiver, authorization or other action required or to prevent any assets or Liabilities of the Company from being in default, terminating, accelerating, revoking, suspending, canceling, losing or diminishing in value, changing in any respect or creating any Liability or giving any person any rights or remedies as a result of the consummation of the Contemplated Transactions.

**“Security Right”** with respect to any security, means any option, warrant, subscription right, preemptive right, right to convert or exchange, other right, proxy, put, call, demand, plan, commitment, agreement, understanding or arrangement of any kind relating to such security, whether issued or unissued, or any other security convertible into or exchangeable for any such security. **“Security Right”** includes convertible or exchangeable debt or equity securities and any right relating to issuance, sale, assignment, transfer, purchase, redemption, conversion, exchange, registration or voting and includes rights conferred by statute, by the issuer’s Governing Documents or by contract.

**“Seller Damages”** is defined in *Section 6.3*.

**“Seller Indemnitee”** is defined in *Section 6.3*.

**“Tax”** or **“Taxes”** means (i) all income, profits, franchise, gross receipts, capital, sales, use, withholding, municipal license (patents), value added, ad valorem, transfer, employment, social security, disability, occupation, property, severance, production, excise and other taxes, duties and other similar governmental charges and assessments imposed by or on behalf of any government or taxing authority (including interest and penalties thereon and additions thereto), whether or not disputed, and (ii) any obligations under any agreements or arrangements with respect to Taxes described in clause (i) above.

**“Tax Return”** means any return, declaration, report, claim for refund, or information return or statement relating to any Tax, including any schedule or attachment, and including any amendment.

**“September 2008 Balance Sheet”** is defined in *Section 4.8*.

**7.2 Construction.** As used in this Agreement, unless the context otherwise requires: (i) references to “Article” or “Section” are to an article or section of this Agreement; (ii) all “Exhibits” and “Schedules” referred to in this Agreement are to Exhibits and Schedules attached to this Agreement and are incorporated into this Agreement by reference and made a part of this Agreement; (iii) “include”, “includes” and “including” are deemed to be followed by “without limitation” whether or not they are in fact followed by such words or words of like import; (iv) the headings of the various articles, sections and other subdivisions of this Agreement are for convenience of reference only and shall not modify, define or limit any of the terms or provisions of this Agreement; (v) “knowledge” of a person means the actual knowledge of such person and the knowledge that a prudent individual could be expected to discover or otherwise become aware of in the course of conducting a reasonably comprehensive investigation concerning the existence of the matters addressed; and (vi) a “breach” of a representation, warranty, covenant or obligation of this Agreement or any instrument delivered in connection with this Agreement shall include (A) a breach or inaccuracy of such representation or warranty, or a breach of, or noncompliance with, such covenant or obligation, or (B) any claim by any person or other occurrence or circumstance that is or was inconsistent with such representation, warranty, covenant or obligation, and the term “breach” means any such breach, inaccuracy, noncompliance, claim, occurrence or circumstance.

**ARTICLE VIII**  
**Miscellaneous**

**8.1 Further Assurances.** After Closing, without further consideration, Seller shall take or cause to be taken such actions (including the execution, acknowledgment and deliver of instruments, documents, transfers, conveyances and assurances) as Buyer may request for the better conveying, transferring, assigning, delivering, assuring and confirming the Company Shares to Buyer.

**8.2 Notices.** All notices given or made in connection with this Agreement shall be in writing. Delivery of written notices shall be effective: (i) on the second business day after the date of mailing, if delivered by registered or certified mail, postage prepaid, (ii) upon delivery, if sent by hand delivery, (iii) upon delivery, if sent by prepaid courier, with a record of receipt, or (iv) on the next day after the date of dispatch, if sent by cable, telegram, facsimile or teletype. All deliveries shall be made to the following addresses:

If to Buyer, to:

Tailong Holding Company Limited  
Room 3F No. 11 Building,  
Zhonghong International Business Garden, Future Business Center  
Chaoyang North Road, Chaoyang District, Beijing, China 100024  
Fax: (86) 10-59621228

with a required copy to:

K&L Gates  
1717 Main Street, Suite 2800  
Dallas, Texas 75201  
Fax: (214) 939-5849  
Attn: David Luther, Esq.

If to Seller or the Shareholders, to:

Yinlong Industrial Co. Ltd.  
No 143 of Ge Xin Street,  
Nan Gang District,  
Haerbin China  
Fax: (86) 451 87965936

with a required copy to:

Yu Chang  
No 143 of Ge Xin Street,  
Nan Gang District,  
Haerbin China  
Fax: (86) 451 87965936  
with a required copy to:

Xiao Rong Teng  
No 143 of Ge Xin Street,  
Nan Gang District,  
Haerbin China  
Fax: (86) 451 87965936

Notices to the Company shall be addressed in care of Seller before the Closing and in care of Buyer after the Closing. Any party may change the address to which notice (or copies) to it shall be addressed by giving notice of that change to the other parties in accordance with this Section.

**8.3 Currency.** All currency references in this Agreement are to United States dollars.

**8.4 Jurisdiction; Service of Process.** Any action or proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement may be brought against any party in the courts of the State of New York, or, if it has or can acquire jurisdiction, in the United States District Court for the District of New York.

**8.5 Consents.** Each party consents to the jurisdiction of these courts (and of the appropriate appellate courts) in any such action or proceeding and waives any objection to venue laid in such courts. Process in any action or proceeding referred to in the preceding sentence may be served on any party anywhere in the world.

**8.6 Offset.** Buyer shall be entitled to an offset, setoff or recoup from any amounts due to Seller from Buyer under this Agreement or under any Other Agreement against any obligation of Seller to Buyer under this Agreement or under any Other Agreement. This Agreement and all the rights and powers granted by this Agreement shall bind and inure to the benefit of the parties and their respective successors and permitted assigns.

**8.7 Consideration; Recitals; Governing Law.** The parties acknowledge the mutual receipt and sufficiency of valuable consideration for the formation of the legally binding contract represented by this Agreement. That consideration includes all of the representations, warranties, covenants and obligations contained in this Agreement. The recitals set forth at the beginning of this Agreement are incorporated into this Agreement and made a part of this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to its conflict of laws doctrines.

**8.8 Schedules.** The disclosures in the Schedules to this Agreement, and those in any supplement to the Schedules, relate only to the representations and warranties in the Section of the Agreement to which they expressly refer and not to any other representation or warranty in this Agreement. In the event of any inconsistency between the statements in this Agreement and those in the Schedules, the statements in this Agreement will control.

**8.9 Amendment and Waiver; Cumulative Effect.** To be effective, any amendment or waiver under this Agreement must be in writing and signed by the party against whom enforcement of the same is sought. Neither the failure of any party to exercise any right, power or remedy provided under this Agreement or to insist upon compliance by any other party with its obligations under this Agreement, nor any custom or practice of the parties at variance with the terms of this Agreement, shall constitute a waiver by such party of its right to exercise any such right, power or remedy or to demand such compliance. The rights and remedies of the parties are cumulative and not exclusive of the rights and remedies that they otherwise might have now or hereafter at law, in equity, by statute or otherwise.

**8.10 Entire Agreement; No Third-Party Beneficiaries.** This Agreement and the Schedules and Exhibits set forth all of the promises, covenants, agreements, conditions and undertakings between the parties with respect to the subject matter of this Agreement. This Agreement supersedes all prior or contemporaneous agreements and understandings, negotiations, inducements or conditions, express or implied, oral or written, among the parties. Except for the provisions of Sections 6.2 and 6.3 relating to Buyer Indemnitees and Seller Indemnitees, this Agreement is not intended to confer upon any person other than the parties any rights or remedies under this Agreement.

**8.11 Severability.** If any term or other provision of this Agreement is held by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced under any applicable Legal Requirement in any particular respect or under any particular circumstances, then, so long as the economic or legal substance of the Contemplated Transactions is not affected in any manner materially adverse to any party, (i) such term or provision shall nevertheless remain in full force and effect in all other respects and under all other circumstances, and (ii) all other terms, conditions and provisions of this Agreement shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner so that the Contemplated Transactions are fulfilled to the fullest extent possible.



**8.12 Counterparts.** This Agreement may be executed in more than one counterparts, each of which shall be deemed to be an original but all of which together shall be deemed to be one and the same instrument.

**[The remainder of this page intentionally left blank.]**

The parties, each intending to be legally bound by this Agreement, have executed this Agreement as of the first date identified in the first sentence of this Agreement.

**Seller:**  
**Yinlong Industrial Co. Ltd.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Buyer:**  
**Tailong Holding Company Limited**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**Company:**  
**Pacific Dragon Fertilizer Co. Ltd.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**For Purposes of Articles 3, 6 and 8 only:**

\_\_\_\_\_  
**Yu Chang**

\_\_\_\_\_  
**Xiao Rong Teng**

## Schedules and Exhibits

<i>Schedule 4.4</i>	Required Authorizations
<i>Schedule 4.9</i>	Undisclosed Liabilities
<i>Schedule 4.11</i>	Tax Returns
<i>Schedule 4.13</i>	Government Approvals
<i>Exhibit A</i>	Promissory Note
<i>Exhibit B</i>	Financial Statements

**Schedule 4.4**  
**Required Authorizations**

*[MOFCOM Approvals]*

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**Schedule 4.9**  
**Undisclosed Liabilities**

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**Schedule 4.11**  
**Tax Returns**

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**Schedule 4.13**  
**Government Approvals**

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**Exhibit A**  
**Promissory Note**

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**Exhibit B**  
**Financial Statements**

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PROMISSORY NOTE

\$6,980,000.00

February 12, 2009

FOR VALUE RECEIVED, on or before December 31, 2009 (“Maturity Date”), TAILONG HOLDING COMPANY LIMITED, a company organized under the laws of Hong Kong (“Buyer”), promises to pay to the order of YINLONG INDUSTRIAL CO. LTD., a company organized under the laws of the PRC (“Seller”), at an office of K&L Gates LLP or such other time and place as Buyer and Seller may agree in writing, the principal amount of SIX MILLION NINE HUNDRED AND EIGHTY THOUSAND DOLLARS (\$6,980,000.00) (“Total Principal Amount”), under this Promissory Note (“Note”).

The outstanding principal balance of this Note shall be due and payable on the Maturity Date.

**PAYMENT.**

Buyer may from time to time prepay all or any portion of the principal of this Note without premium or penalty. Unless otherwise agreed to in writing, or otherwise required by applicable law, payments will be applied first to principal, and then to any remaining amount for any unpaid collection costs, delinquency charges and other charges; provided, however, upon delinquency or other Event of Default (as hereinafter defined), Seller reserves the right to apply payments among principal, delinquency charges, collection costs and other charges, at its discretion. All prepayments shall be applied to the indebtedness owing in such order and manner as Seller may from time to time determine in its sole discretion. All payments and prepayments of principal on this Note shall be made in lawful money of the United States of America in immediately available funds, at such other place as the holder of this Note shall designate in writing to Buyer. If any payment of principal on this Note shall become due on a day which is not a Business Day (as hereinafter defined), such payment shall be made on the next succeeding Business Day. As used herein, the term “Business Day” shall mean any day other than a Saturday, Sunday or any other day on which national banking associations are authorized to be closed. The books and records of Seller shall be prima facie evidence of all outstanding principal on this Note.

**DOCUMENTS.**

This Note has been executed and delivered pursuant to that certain Supplemental Share Purchase Agreement, dated February 12, 2009 (the “Agreement”), by and among Buyer, Seller, PACIFIC DRAGON FERTILIZER CO. LTD., a company organized under the laws of the PRC, YU CHANG, an individual residing in the PRC and XIAO RONG TENG, an individual residing in the PRC.

This Note, the Agreement and all other documents evidencing, securing, governing, guaranteeing and/or pertaining to this Note, including but not limited to those documents described above, are hereinafter collectively referred to as the “Documents.” The holder of this Note is entitled to the benefits and security provided in the Documents.

**EVENT OF DEFAULT.**

Buyer agrees that upon the occurrence of any one or more of the following events of default ("Event of Default"):

- (a) failure of Buyer to pay the principal on this Note or on any other indebtedness of Buyer to Seller when due; or
- (b) the occurrence of any event of default specified in any of the other Documents; or
- (c) the bankruptcy or insolvency of, the assignment for the benefit of creditors by, or the appointment of a receiver for any of the property of, or the liquidation, termination, dissolution or death or legal incapacity of, any party liable for the payment of this Note, whether as maker, endorser, guarantor, surety or otherwise;

The holder of this Note may, at its option, without further notice or demand, (i) declare the outstanding principal balance on this Note at once due and payable, (ii) foreclose all liens securing payment hereof, (iii) pursue any and all other rights, remedies and recourses available to the holder hereof, including but not limited to any such rights, remedies or recourses under the Documents, at law or in equity, or (iv) pursue any combination of the foregoing.

The failure to exercise the option to accelerate the maturity of this Note or any other right, remedy or recourse available to the holder hereof upon the occurrence of an Event of Default hereunder shall not constitute a waiver of the right of the holder of this Note to exercise the same at that time or at any subsequent time with respect to such Event of Default or any other Event of Default. The rights, remedies and recourses of the holder hereof, as provided in this Note and in any of the other Documents, shall be cumulative and concurrent and may be pursued separately, successively or together as often as occasion therefore shall arise, at the sole discretion of the holder hereof. The acceptance by the holder hereof of any payment under this Note which is less than the payment in full of all amounts due and payable at the time of such payment shall not (i) constitute a waiver of or impair, reduce, release or extinguish any right, remedy or recourse of the holder hereof, or nullify any prior exercise of any such right, remedy or recourse, or (ii) impair, reduce, release or extinguish the obligations of any party liable under any of the Documents as originally provided herein or therein.

**MISCELLANEOUS.**

This Note and all of the other Documents are intended to be performed in accordance with, and only to the extent permitted by, all applicable laws. If any provision hereof or of any of the other Documents or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the application of such provision to any other person or circumstance nor the remainder of the instrument in which such provision is contained shall be affected thereby and shall be enforced to the greatest extent permitted by law. It is expressly stipulated and agreed to be the intent of the holder hereof to at all times comply with applicable laws now or hereafter governing the indebtedness evidenced by this Note.

If this Note is placed in the hands of an attorney for collection, or is collected in whole or in part by suit or through probate, bankruptcy or other legal proceedings of any kind, Buyer agrees to pay, in addition to all other sums payable hereunder, all costs and expenses of collection, including but not limited to reasonable attorneys' fees.

Buyer and any and all endorsers and guarantors of this Note severally waive presentment for payment, notice of nonpayment, protest, demand, notice of protest, notice of intent to accelerate, notice of acceleration and dishonor, diligence in enforcement and indulgences of every kind and without further notice hereby agree to renewals, extensions, exchanges or releases of collateral, taking of additional collateral, indulgences or partial payments, either before or after maturity.

**THIS NOTE HAS BEEN EXECUTED UNDER, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.**

**BUYER:**

**Tailong Holding Company Limited**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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## **China Agritech, Inc. to Acquire Remaining Interests in Pacific Dragon Fertilizer Co., Ltd.**

**Beijing, February 17, 2009** – China Agritech, Inc. (OTC Bulletin Board: CAGC) ("CAGC" or "the Company"), a leading national-level liquid organic compound fertilizer manufacturer and distributor in China, today announced that its wholly owned subsidiary, Tailong Holding Company Limited ("Tailong"), recently signed definitive agreements to purchase the remaining 10% equity interest in Pacific Dragon Fertilizer Co., Ltd. ("Pacific Dragon"). The total consideration is \$7.98 million, as determined by the accounting firm KPMG in the U.S. using the fair-value evaluation method. Subject to the Chinese government approval, the transaction is expected to close on or before March 31, 2009.

Pursuant to the agreement, which has been unanimously approved by the boards of directors of Tailong, Pacific Dragon and the Company, Tailong, which already owns 90% of Pacific Dragon, will pay \$1 million in cash and the remaining \$6.98 million in an interest-free promissory note with a maturity date of December 31, 2009. The transaction will make Pacific Dragon, a manufacturer, marketer and distributor of a series of organic liquid compound fertilizers in China, a wholly owned subsidiary of Tailong. In addition, the transaction is expected to increase the Company's 2009 after-tax earnings by approximately \$0.05 per share.

### **About China Agritech, Inc.**

China Agritech, Inc. is engaged in the development, manufacturing and distribution of liquid and granular organic compound fertilizers and related products in China. The Company has developed proprietary formulas that provide a continuous supply of high-quality agricultural products while maintaining soil fertility. The Company sells its products to farmers located in 26 provinces of China.

For more information about the Company, please visit <http://www.chinaagritechinc.com>

### **Safe Harbor Statement**

This release contains certain "forward-looking statements" relating to the business of China Agritech and its subsidiary companies, which can be identified by the use of forward-looking terminology such as "believes, expects" or similar expressions, including but not limited to, statements regarding the continued demand for China Agritech's products, China Agritech's ability to sustain growth for the balance of the year and China Agritech's ability to generally meet all of its objectives. Such forward-looking statements involve known and unknown risks and uncertainties, including all business uncertainties relating to product development, marketing, concentration in a single customer, raw material costs, market acceptance, future capital requirements, and competition in general and other factors that may cause actual results to be materially different from those described herein as anticipated, believed, estimated or expected. Certain of these risks and uncertainties are or will be described in greater detail in our filings with the SEC. Except as required by law, China Agritech is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

**For more information, please contact:**

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