



# **CHINA AGROTECH HOLDINGS LIMITED**

**浩倫農業科技集團有限公司\***

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

## **Annual Results Announcement**

**For the year ended 30th June, 2000**

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*This announcement, for which the directors of China Agrotech Holdings Limited 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 of Hong Kong Limited for the purpose of giving information with regard to China Agrotech Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this announcement is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this announcement misleading; and 3. all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **RESULTS HIGHLIGHTS**

China Agrotech Holdings Limited prides itself in its mission to apply advanced technology with a view to improve the quality of agricultural produce in the PRC and to achieve higher productivity and efficiency. The Company is currently the ONLY producer of regulatory-type plant growth regulator (“PGR”) in the PRC with substantial potential for growth and development. The Company has achieved impressive growth in sales and profit in the past few years, with a turnover of approximately HK\$86,732,000 for the year ended 30th June, 2000, and profit attributable to shareholders of approximately HK\$30,008,000, representing an exponential increase of 312% and 443% as compared to the same period of the previous financial year. Looking ahead, the Company will continue its efforts in technological research and development of new products in order to achieve better results in the future.

## ANNUAL RESULTS

The Directors are pleased to announce that the audited consolidated results of China Agrotech Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the year ended 30th June, 2000, together with comparative figures for the corresponding period of the previous financial year, as follows:

		<b>For the year ended</b>	
		<b>30th June,</b>	
	<i>Note</i>	<b>2000</b>	<b>1999</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	b	86,732	21,065
Cost of sales		<u>(18,958)</u>	<u>(5,961)</u>
Gross profit		67,774	15,104
Selling and distribution expenses		(18,545)	(3,259)
General and administrative expenses		<u>(17,128)</u>	<u>(2,581)</u>
Profit from operations		32,101	9,264
Interest income		2,768	2
Interest expense		<u>(1,074)</u>	<u>—</u>
Profit before taxation		33,795	9,266
Taxation	c	<u>(1,640)</u>	<u>(286)</u>
Profit after taxation but before minority interests		32,155	8,980
Minority interests		<u>(2,147)</u>	<u>(3,458)</u>
Profit attributable to shareholders		<u>30,008</u>	<u>5,522</u>
Earnings per share			
—Basic	d	<u>13.6 cents</u>	<u>3.2 cents</u>

### Notes:

#### a. Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 9th September, 1999 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. The Company's shares have been listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 25th November, 1999.

On 11th November, 1999, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (“the Reorganisation”). The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the years ended 30th June, 1999 and 2000, rather than from the date on which the Reorganisation was completed.

- b. Turnover comprised the net invoiced value (excluding value-added tax) of merchandise sold after allowances for returns and discounts.
- c. The Company is exempted from taxation in the Cayman Islands until 2019. No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong. Taxation represents Mainland China enterprise income tax provided at a rate of 7.5%.
- d. Earnings per share

The calculations of basic earnings per share for the year ended 30th June, 2000 were based on the audited consolidated profit attributable to shareholders of approximately HK\$30,008,000 for the year ended 30th June, 2000 and on the weighted average number of approximately 219,877,000 shares in issue during the year ended 30th June, 2000.

The calculations of earnings per share for the year ended 30th June, 1999 were based on the audited combined profit attributable to shareholders of approximately HK\$5,522,000 for the year ended 30th June, 1999 and on the 175,000,000 shares in issue and issuable pursuant to a capitalisation issue in connection with the Company’s share offering in November 1999.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in existence during the years.

## **DIVIDEND**

The Directors do not recommend the payment of dividend for the year ended 30th June, 2000.

## **BUSINESS REVIEW AND OUTLOOK**

### **BUSINESS REVIEW**

For the year ended 30th June, 2000, the Group recorded a consolidated turnover of approximately HK\$86,732,000 (1999: HK\$21,065,000), representing a 3.1 times increase. The audited profits attributable to shareholders was approximately HK\$30,008,000 (1999: HK\$5,522,000), representing an increase of 4.4 times.

As at 30th June, 2000, the annual production volume of the Group has been augmented to 746 tonnes, an increase of 3.1 times as compared to 182 tonnes in 1999, with 261.2 tonnes for PGRs for vegetables, 353.7 tonnes for PGR for fruits, 87.5 tonnes for PGR for rice, and 43.6 tonnes for PGR for tobacco.

During the period under review, the Group has devoted active pursuits in consolidating and enhancing the market share and popularity of its products in the existing eight major sales centres, namely Beijing, Shandong, Jiangsu, Henan, Hubei, Shanxi, Sichuan and Fujian. The wholesalers of these eight major sales centres covered 19 provinces in the PRC.

The Group is the only domestic producer of regulatory-type PGR. As the effectiveness being brought by this type of product is increasingly well-recognised by the users and that the Group has developed a mature strategy in the monitoring and control of production costs, the Group's gross profit margin has increased from approximately 72% to approximately 78% during last year.

Progress has been made on the product development jointly conducted by the Group and the Centre for the Biochemical Control of Agricultural Products under the China Agricultural University and other research organizations. During the period under review, the development of PGR designated for rice and tobacco have been completed. Commercial production was commenced in early May 2000. Development of other new products, including PGRs for edible fungi, flowers, corn and oil seeds have been proceeding very smoothly. It is expected that the development of PGRs for fungi and flowers will be completed by the end of 2000 and production will commence in mid-2001, while development of PGRs for corn and oil seeds will be completed by the end of 2001 and production will commence in mid-2002.

## **FUTURE PROSPECTS**

Following the entry of the PRC into the World Trade Organization ("WTO"), it is expected that there will be an influx of agricultural products from overseas. In a long term, the quality of agricultural products in the PRC need to be improved in order to remain competitive in the market. The Board believes that, under such market force the Group will achieve further growth and development due to its high quality products, advanced technology and effective marketing strategies. On the other hand, the Group will face challenges from agricultural technology product suppliers overseas. Therefore, the Group will aim to consolidate its market share in the industry in order to

maintain its leading position in the PGR industry in the PRC, as well as to further develop hi-tech and environmental-friendly new products and strengthening its marketing network, thereby sustaining strong and stable development in future.

### **Comparison of business objectives with actual business progress**

*Business objectives as stated in the prospectus dated 16th November, 1999*

PGRs for rice and tobacco are in their final stages of development and commercial production of the above products is expected to commence in March 2000.

In September 1999, the Group signed a non-binding letter of intent with Fuzhou Cangshan Hi-Tech Science Park Management Office for the acquisition of the land use rights to a vacant site of approximately 20,000 sq.m. at Fuzhou Cangshan Hi-Tech Science Park in Fuzhou, Fujian Province for a consideration of RMB8.4 million.

*Actual business progress/ change in business objective (if any)*

Commercial production of PRGs for rice and tobacco commenced in early May 2000.

Having considered the development costs and the scale of its future operations, the Group has not proceeded with the original letter of intent and no deposit was paid or forfeited in that respect. Instead, the Group has signed a contract with 惠安城南中心工業區開發發展有限公司 (HuiAn Chengnan Central Industrial District Development Co., Ltd.) for the acquisition of the land use rights to another vacant site of approximately 60,000 sq.m. at HuiAn Economic Development District, Fujian Province at a consideration of RMB9 million, of which approximately RMB6 million was paid before 30th June, 2000 and a further RMB2 million was paid in July 2000, and were financed by the net proceeds of the share offer in November 1999. The remaining balance of approximately RMB1 million will be settled by the end of 2000.

A new production facility comprising a production plant, a warehouse and an office building will be established on the aforesaid Fuzhou site. The Group expects construction to commence in December 1999 and be completed by February 2000. The acquisition cost of the Fuzhou site and the construction cost of the new production facility on such site are estimated to be approximately HK\$15 million.

Four production lines, one for PGR for fruits, one for PGR for tobacco and two for PGR for rice, will be acquired with total estimated cost of establishment of approximately HK\$20 million. The four new production lines are expected to commence commercial production in March 2000. The Group's total annual production capacity will then be increased from 560 tonnes to 1,680 tonnes of PGRs.

The Group plans to employ approximately 100 additional sales staff and incur approximately HK\$7 million for its hiring of additional sales staff and advertising and promotion activities particularly in relation to the two new PGRs for tobacco and rice to be launched during the second half of the year ending 30th June, 2000.

The new production facility has been established on the HuiAn site. The construction work has been completed in May 2000. Apart from the RMB9 million for the acquisition of land use rights as mentioned above, the Group has also signed contracts for plant construction works with total contract sum amounting to approximately RMB9 million, of which approximately RMB6 million has been paid and was financed by the net proceeds of the share offer. The remaining balance of approximately RMB3 million will be settled upon finalisation of the contract sums with the contractors and be financed by the net proceeds of the share offer.

The Group signed contracts with suppliers of different parts of the four production lines with total contract sum amounting to approximately RMB23 million which was paid and was financed by the net proceeds of the share offer. The construction and installation of the four production lines was completed in April 2000. The Group's total annual production capacity has been increased from 560 tonnes to 1,680 tonnes of PGRs.

The Group has already hired an additional 98 sales staff. In addition, the Group has signed a contract with a business advertising and promotion services company for nationwide advertising and promotion activities in relation to the marketing of the two new PGRs for tobacco and rice in the PRC, with the contract sum amounting to RMB7.6 million, of

which RMB3.8 million has been paid before 30th June, 2000 and the remaining RMB3.8 million was paid in July 2000, and were financed by the net proceeds of the share offer. The Group has also completed the establishment of an internet website for product promotion, the cost of which is included in the contract sum of RMB7.6 million. The Group has also incurred approximately RMB2 million for other advertising and promotion activities such as newspaper advertising and demonstration video.

The total cost for research and development of four new PGRs for fungi, flowers, corn and oil seeds are estimated to be approximately HK\$10 million, out of which about HK\$6 million is expected to be incurred during the year ending 30th June, 2001. The Group has not set aside funds for research and development for the year ending 30th June, 2000.

The Group has started cooperation with three different research centres for such research and development works, including testing and conducting field experiment, with total contract sum amounting to approximately RMB10 million. Since initial research studies have started, in order to ensure that the targeted timing of launching the new products can be met, the Group has made progress payments of approximately RMB5 million, which was financed by the net proceeds of the share offer, to the research centres so as to speed up their work.

## **DIRECTORS' INTERESTS**

As at 30th June, 2000, the interests of the Directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under section 29 of the SDI Ordinance were as follows:



# China Agrotech Holdings Limited

Name of director	Personal interests	Number of Shares			Total	Percentage of interests
		Family interests	Corporate interests	Other interests		
Wu Shaoning	140,000,000	Nil	Nil	Nil	140,000,000	56%
Tung Fai	28,000,000	Nil	Nil	Nil	28,000,000	11.2%

The Company did not grant any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive as at 30th June, 2000.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2000, except the two directors, who were also the management shareholders, of the Company as disclosed in the Directors' Interests section of this announcement, no person was beneficially interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 30th June, 2000.

## SPONSOR'S INTERESTS

Except as described below, as at 30th June, 2000, ICEA Capital Limited ("ICEA"), the Company's sponsor, and its associates, directors and employees have no interest (as referred to in rule 6.36 of the GEM Listing Rules) in the Company.

Pursuant to the agreement dated 24th November, 1999 entered into between the Company and ICEA, ICEA will receive a fee for acting as the Company's retained sponsor for the period from 25th November, 1999 to 30th June, 2002.

## PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Wu Shaoning**  
*Chairman*

Hong Kong, 25th September, 2000

*This announcement will remain on the GEM website on the “Latest Company Announcements” page for 7 days from the day of its posting.*

*\* For identification purposes only*