



# CHINA AGROTECH HOLDINGS LIMITED

浩倫農業科技集團有限公司\*

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

## First Quarter Results Announcement

For the three months ended 30th September, 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.*

## **FIRST QUARTER 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\$37,709,000 for the three months ended 30th September, 2000, and profit attributable to shareholders of approximately HK\$15,830,000, representing an exponential increase of 212% and 216% 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 hi-tech and environmental-friendly new products in order to achieve product diversification and better results in the future.

## FIRST QUARTER RESULTS (UNAUDITED)

The Directors are pleased to announce that the unaudited consolidated results of China Agrotech Holdings Limited (the “Company”) and its subsidiaries (together the “Group”) for the three months ended 30th September, 2000, together with comparative figures for the corresponding period in 1999, as follows:

		For the three months ended 30th September,	
	Note	2000 HK\$'000	1999 HK\$'000
Turnover	b	37,709	12,086
Cost of sales		<u>(8,580)</u>	<u>(2,726)</u>
Gross profit		29,129	9,360
Selling and distribution expenses		(8,124)	(1,859)
General and administrative expenses		<u>(5,291)</u>	<u>(1,452)</u>
Profit from operations		15,714	6,049
Interest income		1,206	1
Interest expense		<u>(840)</u>	<u>—</u>
Profit before taxation		16,080	6,050
Taxation	c	<u>(250)</u>	<u>(216)</u>
Profit after taxation but before minority interests		15,830	5,834
Minority interests		<u>—</u>	<u>(825)</u>
Profit attributable to shareholders		<u>15,830</u>	<u>5,009</u>
Earnings per share			
—Basic	d	<u>6.33 cents</u>	<u>2.86 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 unaudited combined results of the Group for the three months ended 30th September, 1999 have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the three months ended 30th September, 1999, 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 by a subsidiary at a rate of 7.5% per annum.
- d. Earnings per share

The calculations of basic earnings per share for the three months ended 30th September, 2000 were based on the unaudited consolidated profit attributable to shareholders of approximately HK\$15,830,000 for the three months ended 30th September, 2000 and on the 250,000,000 shares in issue during the three months ended 30th September, 2000.

The calculations of earnings per share for the three months ended 30th September, 1999 were based on the unaudited combined profit attributable to shareholders of approximately HK\$5,009,000 for the three months ended 30th September, 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 periods.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of interim dividend for the three months ended 30th September, 2000 (1999: Nil).

## **RESERVES**

There has been no transfer to or from reserves during the period.

# **BUSINESS REVIEW AND OUTLOOK**

## **BUSINESS REVIEW**

For the three months ended 30th September, 2000, the Group recorded a consolidated turnover of approximately HK\$37,709,000 (1999: HK\$12,086,000), representing a 2.1 times increase. The unaudited profits attributable to shareholders was approximately HK\$15,830,000 (1999: HK\$5,009,000), representing an increase of 2.2 times.

For the three months ended 30th September, 2000, the sales volume of the Group has been augmented to 316 tonnes, an increase of 2.1 times as compared to 103 tonnes in the corresponding period of the previous financial year, with 63 tonnes for PGRs for vegetables, 126 tonnes for PGR for fruits, 97 tonnes for PGR for rice, and 30 tonnes for PGR for tobacco.

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 been maintained at a high level of 77% during the periods.

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 last financial year, 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 establish agricultural resources companies sales network and further develop hi-tech and environmental-friendly new products such as biological and plant-based pesticides, thereby sustaining strong and stable development in future.

## **DIRECTORS' INTERESTS**

As at 30th September, 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 September, 2000.

## **SUBSTANTIAL SHAREHOLDERS**

As at 30th September, 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 September, 2000.

## **SPONSOR'S INTERESTS**

Except as described below, as at 30th September, 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.

## **COMPETING INTERESTS**

None of the Director, management shareholder and their respective associates (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

## **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, 10th November, 2000

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*\* For identification purposes only*