



China Agrotech Holdings Limited

浩倫農業科技集團有限公司

(incorporated in the Cayman Islands with limited liability)

THIRD QUARTER REPORT

2001

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

This quarterly results report, 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 quarterly results report 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 quarterly results report misleading; and 3. all opinions expressed in this quarterly results report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

THIRD 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 Group is currently the ONLY producer of regulatory-type plant growth regulator (“PGR”) in the PRC with substantial potential for growth and development.
- The Group has achieved impressive growth in sales and profit in the past few years, with a turnover of approximately HK\$116,789,000 for the nine months ended 31st March, 2001, and profit attributable to shareholders of approximately HK\$46,515,000, both representing an exponential increase of 140% as compared to the same period of the previous financial year.
- The turnover included an amount of approximately HK\$5,525,000 contributed from the operation of agricultural resource supermarket stores which is a new business sector of the Group established in this quarter.
- Looking ahead, the Group will continue its efforts in technological research and development of hi-tech and environmental-friendly new products and establishment of agricultural resource supermarket stores in order to achieve product diversification and strengthen its market network in the future.

THIRD 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 and nine months ended 31st March, 2001, together with comparative figures for the corresponding periods in 2000, as follows:

	Notes	For the three months ended 31st March,		For the nine months ended 31st March,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	b	37,783	17,832	116,789	48,667
Cost of sales		<u>(13,326)</u>	<u>(3,886)</u>	<u>(30,828)</u>	<u>(10,649)</u>
Gross profit		24,457	13,946	85,961	38,018
Selling and distribution expenses		(7,340)	(2,510)	(23,862)	(6,840)
General and administrative expenses		<u>(3,031)</u>	<u>(2,443)</u>	<u>(12,097)</u>	<u>(7,951)</u>
Profit from operations		14,086	8,993	50,002	23,227
Interest income		1,208	166	3,729	558
Finance expense		<u>(3,005)</u>	<u>(427)</u>	<u>(6,625)</u>	<u>(475)</u>
Profit before taxation		12,289	8,732	47,106	23,310
Taxation	c	<u>—</u>	<u>(230)</u>	<u>(587)</u>	<u>(696)</u>
Profit after taxation but before minority interests		12,289	8,502	46,519	22,614
Minority interests		<u>(4)</u>	<u>(1,058)</u>	<u>(4)</u>	<u>(3,206)</u>
Profit attributable to shareholders		<u>12,285</u>	<u>7,444</u>	<u>46,515</u>	<u>19,408</u>
Earnings per share	d				
— Basic		<u>4.91 cents</u>	<u>2.98 cents</u>	<u>18.61 cents</u>	<u>9.25 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.

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong. 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 nine months ended 31st March, 2000 have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the nine months ended 31st March, 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 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 and nine months ended 31st March, 2001 were based on the unaudited consolidated profit attributable to shareholders of approximately HK\$12,285,000 for the three months ended 31st March, 2001 and HK\$46,515,000 for the nine months ended 31st March, 2001 and on the 250,000,000 shares in issue during the nine months ended 31st March, 2001.

The calculations of basic earnings per share for the three months and nine months ended 31st March, 2000 were based on the unaudited consolidated profit attributable to shareholders of approximately HK\$7,444,000 for the three months ended 31st March, 2000 and HK\$19,408,000 for the nine months ended 31st March, 2000 and on the 250,000,000 shares in issue during the three months ended 31st March, 2000 and on the weighted average number of approximately 209,909,000 shares in issue during the nine months ended 31st March, 2000.

Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in existence during the nine months ended 31st March, 2000 and 2001.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st March, 2001 (2000: Nil).

RESERVES

There has been no transfer to or from reserves during the nine months ended 31st March, 2001 (2000: Nil).

BUSINESS REVIEW AND OUTLOOK

For the nine months ended 31st March, 2001, the Group recorded a consolidated turnover of approximately HK\$116,789,000 (2000: HK\$48,667,000), representing approximately 1.4 times increase. The unaudited profits attributable to shareholders was approximately HK\$46,515,000 (2000: HK\$19,408,000), also representing an increase of approximately 1.4 times.

An analysis of the Group's turnover and gross profit margin based on its two business sectors, namely, production and sale of PGR and operation of agricultural resource supermarket stores for the nine months ended 31 March, 2001 is as follows:

	Production and sale of PGR HK\$'000	Operation of agricultural resource supermarket stores HK\$'000	Total HK\$'000
Turnover	111,264	5,525	116,789
Cost of sales	<u>(25,644)</u>	<u>(5,184)</u>	<u>(30,828)</u>
Gross profit	85,620	341	85,961
Gross profit margin	77.0%	6.2%	73.6%

PGR

For the nine months ended 31st March, 2001, the sales volume of PGR of the Group has been augmented to 932 tonnes, an increase of 1.2 times as compared to 415 tonnes in the corresponding period of the previous financial year, with 179 tonnes for PGR for vegetables, 347 tonnes for PGR for fruits, 281 tonnes for PGR for rice, and 125 tonnes for PGR for tobacco.

Being the only domestic producer of regulatory-type PGR, the Group was able to maintain gross profit margin at a high level of 77% during the period.

Development of other new products, including PGRs for edible fungi, flowers, corn and oil seeds has been proceeding very smoothly. The development of PGRs for fungi and flowers was 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.

The Group has also started research and development work on PGRs for other agricultural produce such as cotton, tea and other specific kinds of fruits and these new products will be launched after the completion of research and development work. In future, the Group will focus on research and development of PGRs for high commercial valued agricultural products.

In December 2000, the Group obtained the accreditation of ISO 9001 and ISO 14001, and is the first PRC enterprise being able to obtain such accreditation in the PGR industry. It has proven the Group's strong commitment to contribute to product quality and environmental protection.

Agricultural resource supermarket stores

In order to broaden the Group's profit base and strengthen its existing market network on PGR, the Group has put great effort on the establishment of agricultural resource supermarket stores as a new business sector and the project has been proceeding smoothly. Since March 2001, the Group has established 23 agricultural resource supermarket stores in the Fujian Province and they have started to make

contribution to the Group's turnover and profit. It is expected that a total of 35 stores will be set up in the Fujian province during 2001, and they will be expanded to other provinces commencing from 2002. Such agricultural resource supermarket stores are mainly engaged in the sale of fertilizers and pesticides, and some of which will be engaged in the trading of seeds, sapling and other agricultural materials, as well as the provision of agricultural technical consultation services. Other than the sales of "Chaoda" branded products, products such as fertilizer, pesticide, fungicide, and herbicide produced by other domestic and overseas manufacturers are also sold in the stores. The Group has also secured the exclusive distribution rights in Fujian Province from over 20 domestic and overseas manufacturers of agricultural resource products.

With the establishment of agricultural resource supermarket stores network, the Group has been changed from a single-product manufacturer to a vertically integrated provider of agricultural resource products. As the agricultural resource supermarket stores have just started business since March, 2001, the turnover contributed therefrom represented only about 5% of the Group's total turnover during the nine months ended 31 March 2001. However, the Directors believe that the turnover and profit contribution from the agricultural resource supermarket stores will be increased obviously when their operation becomes mature.

Biological pesticide

The research on a biological pesticide developed by the Biotechnology Research Centre of the Fujian Agricultural School, in which the Group has participated by way of investment, has been brought off. Six different registrations for its patent has been obtained from the State.

The commercial production of the product is expected to commence in the second half year of 2001.

DIRECTORS' INTERESTS

As at 31st March, 2001, 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 31st March, 2001.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2001, except the two directors, who were also the management shareholders of the Company as disclosed in the Directors' Interests section of this quarterly results report, 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 31st March, 2001.

SPONSOR'S INTERESTS

Except as described below, as at 31st March, 2001, 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 nine months ended 31st March, 2001, 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, 14th May, 2001