China Agrotech
Holdings Limited
(incorporated in the Cayman Islands with limited liability)

THE WAY OF GROWTH

ANNUAL REPORT 2001

The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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

Products

Technology

GROWTH OF......

PRODUCTS

TECHNOLOGY

MARKETS

Markets

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Corporate Mission and Milestones

CORPORATE MISSION

China Agrotech Holdings Limited, founded on being the only producer of regulatory-type plant growth regulators ("PGRs") in Mainland China, strives to apply advanced technology to improve the overall quality of agricultural products and targets to increase output and income in Mainland China. The Company also develops agricultural resources supermarket stores and aims at becoming a comprehensive vertically integrated agricultural resources supplier in Mainland China.

CORPORATE MILESTONES

November 25, 1999

Listed on the GEM of The Stock Exchange of Hong Kong Limited

May 2000

Established a new production base in HuiAn, Mainland China, with site area of approximately 60,000 sq.m.

Addition of four new production lines and the launch of two new products: PGR for rice and PGR for tobacco

Febuary 2001

Obtained the accreditation of ISO9001 (quality management systems) and ISO14001 (environmental management systems) in respect of the Group's manufacture of PGR

March 2001

Set up the first agricultural resources supermarket store in Fujian Province, Mainland China

June 2001

Addition of two more new production lines and the launch of two new products: PGR for flower and PGR for edible fungi

Completed the setting up of 35 agricultural resources supermarket stores in Fujian Province, Mainland China

Corporate Information

EXECUTIVE DIRECTORS

Wu Shaoning, *Chairman*

Yang Zhuoya, *Managing Director*

Tung Fai

INDEPENDENT NON-EXECUTIVE DIRECTORS

He Zhongpei

Lam Ming Yung

COMPANY SECRETARY

Tong Hing Wah, *AHKSA, ACCA*

QUALIFIED ACCOUNTANT

Tong Hing Wah, *AHKSA, ACCA*

COMPLIANCE OFFICER

Tung Fai

AUTHORISED REPRESENTATIVES

Tung Fai

Tong Hing Wah, *AHKSA, ACCA*

AUDIT COMMITTEE

He Zhongpei

Lam Ming Yung

AUDITORS

Arthur Andersen & Co

Charles Chan, Ip & Fung CPA Ltd.

PRINCIPAL BANKERS

Fleet National Bank, Hong Kong Branch

Hua Chiao Commercial Bank Limited

CITIC Industrial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited

P.O. Box 513 G.T.

3rd Floor

British American Tower

Dr. Roy's Drive

George Town

Grand Cayman

Cayman Islands

British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited

2nd Floor, Vicwood Plaza

199 Des Voeux Road Central

Hong Kong

REGISTERED OFFICE

Zephyr House

Mary Street

George Town

Grand Cayman

Cayman Islands

British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2706, 27th Floor

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

Financial Summary

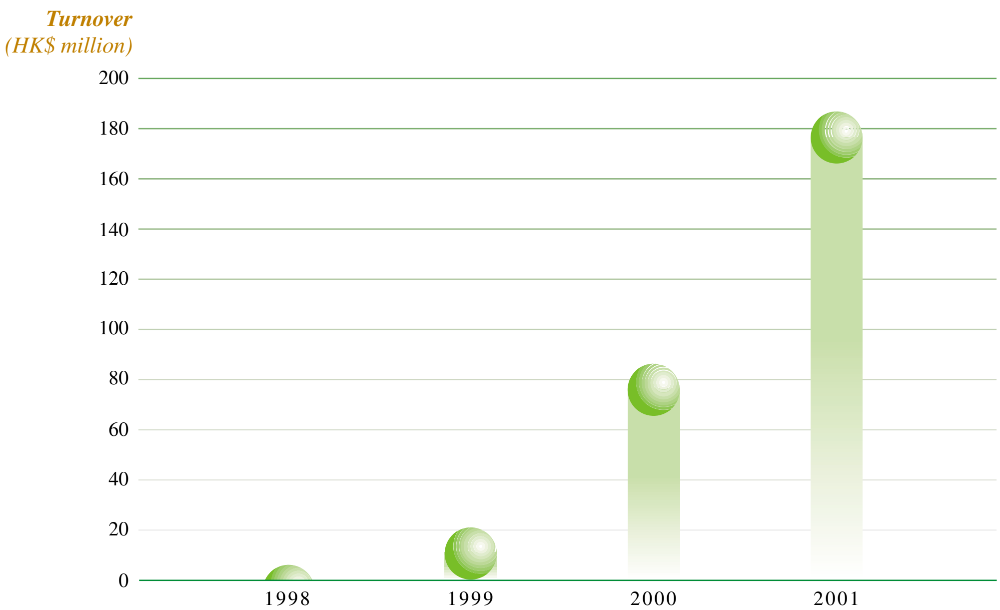
OPERATING RESULTS

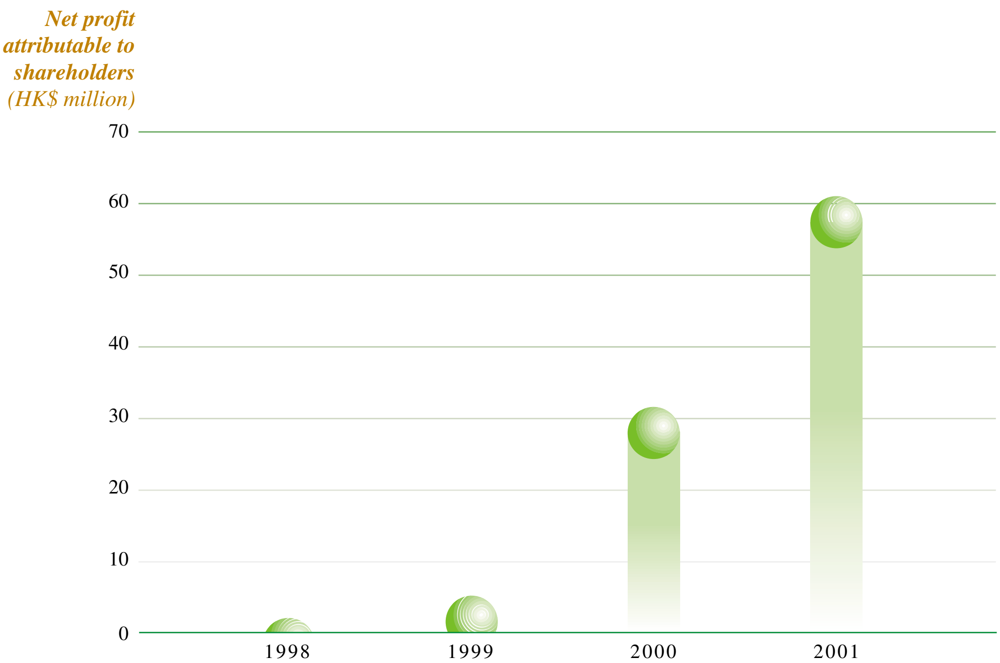
	Years ended 30th June,			
	1998	1999	2000	**2001**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Turnover	4,534	21,065	86,732	**187,161**
Cost of sales	(1,975)	(5,961)	(18,958)	**(60,250)**
Gross profit	2,559	15,104	67,774	**126,911**
Selling and distribution expenses	(371)	(3,259)	(18,545)	**(41,437)**
General and administrative expenses	(190)	(2,581)	(17,128)	**(22,176)**
Profit from operations	1,998	9,264	32,101	**63,298**
Interest income	—	2	2,768	**5,108**
Finance costs	—	—	(1,074)	**(7,901)**
Profit before taxation	1,998	9,266	33,795	**60,505**
Taxation	—	(286)	(1,640)	**—**
Profit after taxation but before minority interests	1,998	8,980	32,155	**60,505**
Minority interests	(746)	(3,458)	(2,147)	**94**
Profit attributable to shareholders	1,252	5,522	30,008	**60,599**
Dividend	—	4,000	—	**—**

ASSETS AND LIABILITIES

	As at 30th June,		
	1999	2000	**2001**
	HK$'000	*HK$'000*	***HK$'000***
Total non-current assets	3,063	42,502	**95,261**
Total current assets	4,277	120,729	**125,909**
Total assets	7,340	163,231	**221,170**
Total current liabilities	(1,592)	(64,194)	**(74,531)**
Total liabilities	(1,592)	(64,194)	**(74,531)**
Net current assets	2,685	56,535	**51,378**
Total assets less current liabilities	5,748	99,037	**146,639**
Minority interests	(2,130)	—	**—**
Net assets	3,618	99,037	**146,639**

Financial Summary





Notes:

1. Pursuant to a group reorganisation scheme ("the Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 11th November, 1999. The summary of consolidated assets and liabilities as at 30th June, 1999 and the consolidated results for the years ended 30th June, 1998, 1999 and 2000 were prepared as if the current group structure had been in existence throughout those years.

2. As the Company has only become the holding company of the Group since 11th November, 1999, no audited consolidated financial statements for the Group had been prepared before 30th June, 2000. The consolidated results of the Group for the years ended 30th June, 1998 and 1999 and the consolidated assets and liabilities as at 30th June, 1999 were extracted from the Company's prospectus dated 16th November, 1999.

Chairman's Statement

By leveraging on its successful listing on the GEM, the Group speeded up the research and development of agricultural high technology, established its own sales and marketing channels, expanded its production scale and established two major areas of business –production and sale of plant growth regulators and operation of agricultural resources supermarket stores.

I am pleased to present to the shareholders the annual report of China Agrotech Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 30th June, 2001 for their consideration.

TURNOVER AND PROFIT

For the year ended 30th June, 2001, the consolidated turnover of the Group was approximately HK$187,161,000 (2000: HK$86,732,000), a growth of approximately 1.2 times; and the audited net profit attributable to shareholders was approximately HK$60,599,000 (2000 : HK$30,008,000), a growth of approximately 1.0 times.

LISTING ON THE GROWTH ENTERPRISE MARKET (THE "GEM")

The Group was listed on the GEM of The Stock Exchange of Hong Kong Limited on 25th November, 1999, and was the first enterprise listed on the GEM and a pioneer of the agricultural high-technology enterprises being listed on the GEM, which laid an important foundation for the future development of the Group.

THE RAPID DEVELOPMENT AND BUSINESS EXPANSION IN 2001

By leveraging on its successful listing on the GEM, the Group speeded up the research and development of advanced agricultural technology, established its own sales and marketing channels, expanded its production scale and established two major areas of business — production and sale of plant growth regulators ("PGRs") and operation of agricultural resources supermarket stores during the financial year ended 30th June, 2001. By means of advanced technology and modern sales and marketing strategies, the Group aims at capturing more business opportunities in the agricultural industry. I take this opportunity to highlight the significant development of the Group for the year ended 30th June, 2001 and its future prospects and operating strategies.

BUSINESS REVIEW AND FUTURE PROSPECTS

Plant Growth Regulators

For the financial year ended 30th June, 2001, the turnover and contribution to profit from operations derived from the business of PGRs were approximately HK$163,835,000 and HK$64,855,000 respectively, representing a growth of approximately 89% and 102% respectively as compared to the previous financial year. This remarkable growth was mainly attributable to the increasing recognition in the quality of products of the Group by its users, its gross profit margin being maintained, and the addition of four new PGR production lines (one for fruits, two for rice and one for tobacco) which were commissioned in May 2000 and have made profit contribution to the entire financial year of 2001. In addition, the Group also commenced commercial production of the PGRs for flowers and edible fungi, the research and development of which were completed at the end of 2000 and since their productions in June 2001, they have started to generate profit for the Group.

At present, the Group has eight production lines for PGRs, which together constitute an annual production capacity of 2,240 tonnes, of which 280 tonnes are vegetable specific, 560 tonnes are fruit specific, 560 tonnes are rice specific, 280 tonnes are tobacco specific, 280 tonnes are flower specific and 280 tonnes are edible fungi specific.

As for the research and development of new products, the Group is currently in joint efforts with different scientific research institutes on the research and development of various types of PGRs for corn, oil-seeds, cotton, tea and five species of fruits (lychee/longan, water melon, orange/mandarin, pomelo and banana). It is expected that the research and development of these new products will be completed in turn from next year to 2003 and will be put into production, enabling the Group to be more diversified in PGR products and offering more choices to its users.

In February 2001, the Group's PGR production was granted certificates of ISO9001 and ISO14001, certifying that the quality management systems and environmental management systems of the Group meet the international standards.

Agricultural Resources Supermarket Stores

It is obvious that with the accession of Mainland China to the World Trade Organisation (the "WTO"), the agricultural resources industry of Mainland China will have to face with tremendous challenges. In particular, in the fifth year of Mainland China's accession to the WTO, restrictions to foreign investors in the agricultural resources industry will be lifted, and foreign investors will be allowed to participate in the retail and wholesale business of agricultural resources in Mainland China.

In view of the entry into Mainland China agricultural resources markets by large international companies in the near future, China Agrotech Holdings Limited cannot rely on a single product as its defense. Market is the key in order that its products can be diversified. Instead of looking on and waiting, we take the initiative to act. On the foundation of the successful sales of PGRs in the past years, coupled with various favorable conditions following the listing on GEM, the Group has established and stregthened its sales network. In this way, not only will the sales of products be promoted, but market information can also be accurately gathered, which facilitates the diversification of products and business of the Group.

A perfect sales network system not only forms a strong condition for the Group to join forces with foreign investors following the WTO admission, it is also a powerful tactic to compete. Therefore, the Group has been focusing on establishing a strong network for services and sales of agricultural resources in last year. Since March 2001, the Group has commenced its plan of setting up 35 agricultural resources supermarket stores in Fujian Province, and the plan was completed in June 2001.

From March to June, 2001, the operation of these agricultural resources supermarket stores has brought in a turnover of approximately HK$23,326,000, representing 12% of the Group's total turnover for the year ended 30th June, 2001. As the business was still in the initial stage during these four months, we invested considerable amounts of preliminary expenses for stores decoration and advertising and promotions, which explains that profitability is yet to be seen. However, the Group believes that in the year to come, when the business of agricultural resources supermarket stores starts to grow steadily, its operating efficiency will increase obviously, which will create attractive income and profit for the Group.

Looking forward, the Group plans to expand its agricultural resources supermarket stores network to other provinces in Mainland China, thus expanding its coverage, and to secure more exclusive rights of distribution from both domestic and overseas agricultural resources manufacturers, enabling the Group to grow into a leading agricultural resources supplier in Mainland China in the near future.

Progress of the Biological Pesticide Project

As people are becoming more and more aware of environmental protection, biological pesticides have drawn the attention of participants in the agricultural industry from all over the world, given its properties of higher activity, high effectiveness, safe, non-polluting and non-residual. At present, market demand for biological pesticides both in the international and domestic markets are increasing. The Group's joint efforts with the Biotechnology Research Centre of the Fujian Agricultural School（福建省農業科學院生物技術中心）on the development of a high effectiveness biological pesticide (BtA) goes with the tide of development of pesticides in the world. The project has come to fruition, and its overall production process includes seven major technologies which require application for national patents. To date, four of these technologies have been granted national patents.

The Group is currently negotiating with the Biotechnology Research Centre of the Fujian Agricultural School（福建省農業科學院生物技術中心） on a joint production plan, which is expected to be finalised before mid 2002. The Group believes that the hi-tech, environmental-friendly agricultural product will give rise to considerable contribution to the profit of the Group and consolidate the position of the Group in the agricultural resources market.

OVERALL OPERATING POLICY AND OBJECTIVE

China Agrotech Holdings Limited is looking forward to fully leveraging on its strengths such as brand name, capital, technology and operational management, given the rare and invaluable opportunity of Mainland China accession to the WTO and the consequent reform of the free circulation system of agricultural resources. By means of vertical integration and a convergence of resources, the Group will grow from a simple producer of agricultural resources to a major producer-cum-distributor group of agricultural resources with diversified operations, and will be growing in scale and gaining competitive edge in all aspects in the course of competition as well as cooperation with international companies. In this way, we hope that the Group will become a powerful hi-tech agricultural resources enterprise and well-known both in Mainland China and in the world.

Finally, I would like to take this opportunity to express my gratitude to all the members of the board, the senior management and all the staff for their zeal and dedication. In addition, I would also like to express on behalf of the board our most sincere thanks to all our customers, suppliers, scientific research units and various business partners for their on-going support.

Wu Shaoning
Chairman

Hong Kong, 28th September, 2001

Management Discussion and Analysis

ANNUAL RESULTS

The 2001 financial year was full of challenges and break-throughs for the Group. Other than the continuous expansion of the PGR business and the production scale, the Group commenced operation of agricultural resources supermarket stores in March 2001 and currently it has already set up 35 stores in Fujian Province. For the year ended 30th June, 2001, the above two business sectors brought a consolidated turnover of approximately HK$187,161,000 (2000: HK$86,732,000) and a consolidated net profit attributable to shareholders of approximately HK$60,599,000 (2000: HK$30,008,000) to the Group, an increase of approximately 116% and 102% respectively over the previous financial year. A summary of the turnover, gross profit, gross profit margin and operating profit/(loss) by scope of business-production and sale of PGRs and operation of agricultural resources supermarket stores, is as follows:

	Production & sale of PGRs		Operation of agricultural resources supermarket stores		Total	
	2001	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	**163,835**	86,732	**23,326**	—	**187,161**	86,732
Gross profit	**125,331**	67,774	**1,580**	—	**126,911**	67,774
Gross profit margin	**77%**	78%	**7%**	—	**68%**	78%
Profit/(Loss) from operations	**64,855**	32,101	**(1,557)**	—	**63,298**	32,101

PLANT GROWTH REGULATORS

Since commencement of its operation in 1997, the Group has been focusing on the research and development of regulatory-type PGRs and continuously launching new products and expanding production scale to increase commercial efficiency and consolidate its market position. Since the beginning of the financial year 1999, the Group made improvements on the original general-type PGR and modified it into two specific-type PGRs (one for vegetable and one for fruits). Later, the Group launched an addition of two new types of PGR (one for rice and one for tobacco) in 2000. Production scale was also expanded from the original two to six production lines. The new products obtained a good market response after they have been launched and therefore set a firm foundation for profit contribution to the Group.

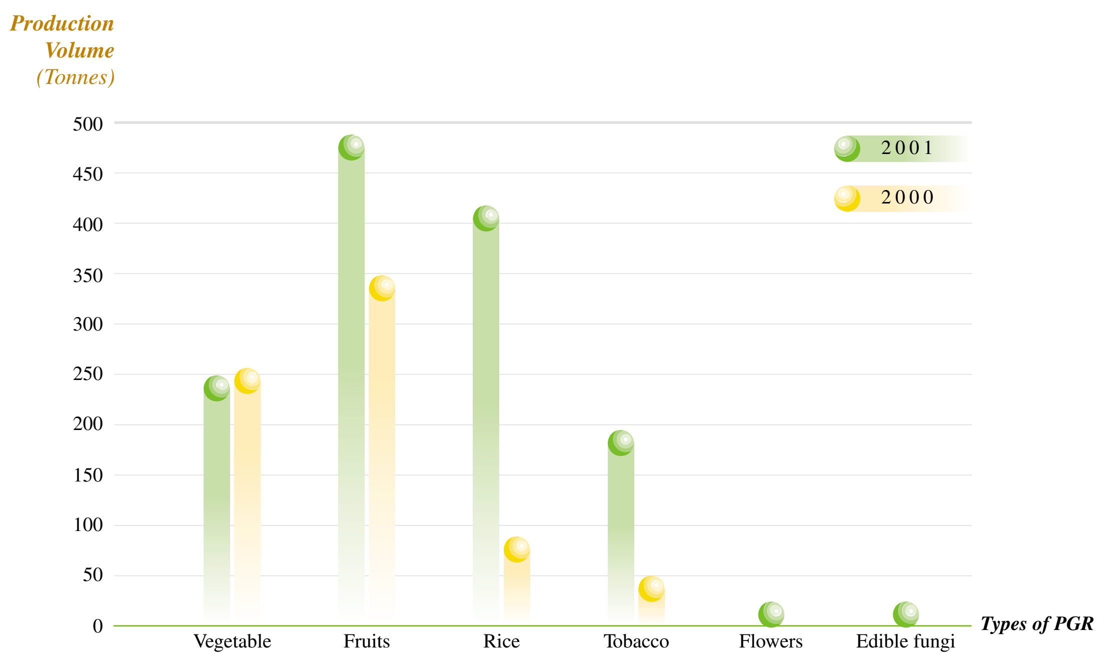
By the end of 2000, research on the two newly launched products (PGRs for flowers and edible fungi) was successfully completed, and was put into production in June 2001 after the installation of two new production lines.

Therefore, at present, the Group has a total of eight production lines, comprising one line for vegetable, two for fruits, two for rice, one for tobacco, one for flowers and one for edible fungi.

During the year under review, included in the consolidated turnover for the year ended 30th June, 2001 was an amount of approximately HK$163,835,000 derived from the sale of PGRs, representing an increase of 89% as compared to approximately HK$86,732,000 in 2000. Profit from operations of this business sector also increased from approximately HK$32,101,000 in 2000 to approximately HK$64,855,000 in 2001, representing an increase of 102%. Such a remarkable growth was mainly attributable to the profit contribution to the entire financial year of 2001 from the sale of PGRs for rice and tobacco which were put into production since May 2000, and the increasing recognition in the quality of products by users, as well as the success of the Group in its control over production costs.

For the year ended 30th June, 2001, the Group's production volume of PGRs has been augmented to 1,382 tonnes (2000: 746 tonnes), an increase of approximately 85% over the previous financial year. A summary of the production volume of various types of PGRs and their percentage over total production volume is as follows:

	For the year ended 30th June,			
	2001		2000	
	tonnes	*%*	*tonnes*	*%*
PGR for vegetable	**252**	**18%**	261	35%
PGR for fruits	**487**	**36%**	354	47%
PGR for rice	**415**	**30%**	87	12%
PGR for tobacco	**196**	**14%**	44	6%
PGR for flowers	**16**	**1%**	—	—
PGR for edible fungi	**16**	**1%**	—	—
	1,382	**100%**	746	100%



The joint efforts for research and development of new products between the Group and research organisations have been progressing smoothly, among which, the research and development of PGRs for corn and oil-seeds jointly conducted by the Group and the Crop Biochemical Control Research Centre of the China Agricultural University (中國農業大學農作物化學控制研究中心) is expected to be completed by the end of 2001 and to be put into production by mid 2002. The research and development of PGR for cotton conducted by the same research organisation is also expected to be completed by the end of 2003. On the other hand, the research and development of PGR for tea jointly conducted with the Tea Research Centre of the China Agricultural School (中國農業科學院茶葉研究所) is expected to be completed by mid 2003. Moreover, the research and development of PGRs for 5 species of fruits (lychee/longan, water melon, orange/mandarin, pomelo, banana) jointly conducted by the Group and 福建省熱帶作物研究所 and 漳州市農業局 have also been progressing rapidly, after which they will be put into production in the near future.

As the Group will progressively increase its dependence on the network of agricultural resources supermarket stores as its sales and marketing channel, the Group changed the cooperation relationship with its sales staff during the year. The effect of change is that the sales personnel is now being employed directly by agricultural resources wholesale dealers and the Group in return compensates and covers the additional staff costs incurred by those wholesale dealers through increasing the sales rebates offered to them.

AGRICULTURAL RESOURCES SUPERMARKET STORES

During the period from March to June 2001, the Group set up 35 agricultural resources supermarket stores in Fujian Province. The gross area of such supermarket stores and warehouses totalled to approximately 20,000 square meters.

The agricultural resources supermarket stores are mainly engaged in the sales of fertilizers and pesticides, and some of which are engaged in the trading of seeds, sapling and other agricultural materials, as well as the provision of agricultural technical consultation services. Besides the sale of products under the "CHAODA" brandname, the supermarket stores also sell fertilizers, pesticides, fungicide, herbicides and etc. produced by other domestic and overseas manufacturers. The Group has secured exclusive distribution rights in Fujian Province from over 20 domestic and overseas agricultural resources manufacturers.

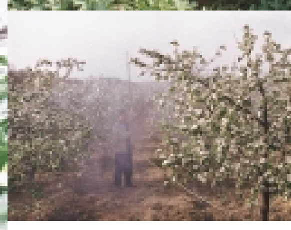
The agricultural resources supermarket stores are operated through invitation of the participation of agricultural resources wholesale dealers to run the stores, with the Group providing decoration designs and leasing of premises of the agricultural resources supermarket stores. The Group is also responsible for ensuring a unified brand-name, centralised product intakes and propaganda, as well as developing the sales plan of the agricultural resources products and development plans of the supermarket stores, whereas the participating dealers bear the operating expenses and are responsible for promotion of products and provision of technical consultations based on the Group's centralised product intakes.

For the four months from March to June 2001, the turnover attributable to the operation of the agricultural resources supermarket stores was approximately HK$23,326,000 (excluding the sales of PGRs produced by the Group) and the average gross profit margin was approximately 7%. As the business of operation of the agricultural resources supermarket stores was still at the initial stage, an inevitable preliminary expenses of considerable amounts were invested on store decorations and advertising, which explains the slight loss of this business sector recorded in the financial year ended 30th June, 2001. The Directors are confident that when operation of the agricultural resources supermarket stores are gradually put on track, and when the business has expanded to other provinces in Mainland China with a strengthened sales network and more product distribution agency rights being secured, the business of operation of agricultural resources supermarket stores will certainly become a major source of turnover and profit contribution to the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group depends mainly on its internally-generated cash flow for its operational needs. As at 30th June, 2001, the Group had a total balance of cash on hand and in bank of approximately HK$98,251,000, and a short-term bank loan of HK$47,000,000. The short-term bank loan was advanced by Fleet National Bank (Hong Kong Branch) on 3rd November, 2000 for a term of one year, and was used as working capital for the setting up of the 35 agricultural resources supermarket stores in Fujian Province, Mainland China. The Group's capital expenditures (such as new product research and development expenses and construction of production facilities) were funded by the proceeds of the share offer in November, 1999 and its internal resources.

By capitalising on the above funds, the Directors believe that the Group has sufficient capital to cope with the needs of its operation.



Left (upper): Agriculture technical personnel inspecting the effects of fruit specific PGR
Middle (upper): Deputy Chairman of Fujian Province National People's Congress Standing Committee Mr. Tong Wan Heng (left), dean of Agricultural School Mr. Xie Hua An (third left) visiting the Group's rice demonstration area
Middle (lower): Greenhouse demonstration farm of China Agrotech
Right (upper): Demonstration farm of China Agrotech
Right (lower): Spraying the PGR

USE OF PROCEEDS FROM THE LISTING

The net proceeds raised from the listing of the Group on the GEM on 25th November, 1999 was approximately HK$78,200,000. The net proceeds have been applied to implement the various business objectives as set out in the prospectus as follows:

December 1999 to June 2001	**Actual Application** *(HK$ million)*
Acquisition of land and construction of production facilities	17.9
Setting up of 4 new PGR production lines (1 for fruits, 2 for rice and 1 for tobacco)	21.9
Research and development expenses for 4 new types of PGRs (flowers, edible fungi, corn and oil-seeds)	7.2
Advertising and promotions for new products and expansion of sales force	12.8
	59.8

The remaining balance of the proceeds have been deposited at licensed banks in Hong Kong and in Mainland China as preparation for future use as set out in the business development plan in the prospectus. The Directors do not envisage any circumstances which may lead to material alteration as to the proposed use of the net proceeds.

Business Objectives Review

Comparison of business objectives with actual business progress

Business objectives as stated in the prospectus dated 16th November, 1999	*Actual business progress/change in business objectives (if any)*
For the year ended 30th June, 2000	
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.	Commercial production of PRGs for rice and tobacco commenced in early May 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.	Having considered the development costs and the scale of its future operations, the Group did not proceed with the original letter of intent and no deposit was paid or forfeited in that respect. Instead, the Group signed a contract with 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, which was paid and was financed by the net proceeds of the share offer in November 1999.
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.	The new production facility was established on the HuiAn site. The construction work was completed in May 2000. Apart from the RMB9 million for the acquisition of land use rights as mentioned above, the Group also signed contracts for various construction works with total contract sum amounted to approximately RMB10 million, which was paid and was financed by the net proceeds of the share offer.

Business Objectives Review

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 commerial 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 signed contracts with suppliers of different parts of the four production lines with total contract sum amounted 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 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 Group hired an additional of approximately 100 sales staff. In addition, the Group 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 Mainland China, with the contract sum amounted to RMB7.6 million, which was paid and was financed by the net proceeds of the share offer. The Group also completed the establishment of an internet website for product promotion, the cost of which was included in the contract sum of RMB7.6 million. The Group also incurred approximately RMB2 million for other advertising and promotion activities such as newspaper advertising and demonstration video.
The Group has started initial research studies on the development of four new PGRs for fungi, flowers, corn and oil seeds. The Group expects that the research and development work on PGRs for fungi and flowers will be completed before the end of year 2000 and intends to launch these products in the first half of year 2001.	The Group has cooperation with three different research centres for the research and development works on the four new PGRs, including testing and conducting field experiments. By the end of year 2000, the research and development works on PGRs for fungi and flowers have been completed and commercial production of these two new PGRs commenced in June 2001.

Business Objectives Review

For the year ended 30th June, 2001

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 total contract sums of research and development of the four new products amounted 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 had made progress payments of approximately RMB5 million during the year ended 30th June, 2000, which was financed by the net proceeds of the share offer, to the research centres so as to speed up their work. An addition of approximately RMB2 million was paid as progress payments during the year ended 30th June, 2001.
The Group plans to construct two additional production lines, one of which will be used for the production of PGR for fungi and the other for the production of PGR for flowers. The total estimated construction cost of the two production lines is HK$10 million, which the Group intends to finance from its internal resources. The construction is expected to be completed in early 2001, with commercial production targetted to commence in the first half of year 2001.	The total construction cost of the two new production lines amounted to approximately RMB8 million, which was paid and was financed from internal resources of the Group. The construction of production lines was completed in May 2001 and commercial production of the two PGRs for fungi and flowers commenced in June 2001.
The Group estimates that a further amount of approximately HK$3 million of the net proceeds of the share offer will be used as part of sales and promotion expenses during the year ended 30th June, 2001.	The Group signed a renewal contract with the previous business advertising and promotion services company for nationwide advertising and promotion activities for the Group's products for the year 2001. The contract sum amounted to RMB8 million, of which RMB4 million was paid and was financed from the net proceeds of the share offer.
By the end of the year ended 30th June, 2001, the Group expects to have eight production lines in operation with a total annual production capacity of 2,240 tonnes of PGRs. The Group estimates that the annual production capacity of PGR for vegetables, fruits, tobacco, rice, fungi and flowers will then reach approximately 280 tonnes, 560 tonnes, 280 tonnes, 560 tonnes, 280 tonnes and 280 tonnes respectively.	After the installation of the two new production lines for PGR for fungi and flowers, the Group's annual production capacity has been increased from 1,680 tonnes to 2,240 tonnes of PGRs.

Profiles of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wu Shaoning

aged 36, is the Chairman of the Group. He graduated from the University of Xiamen with a bachelor degree in politics and economics. Thereafter, he attended the Hong Kong Macau Economics Study Programme at the University of Hong Kong for one year and obtained a masters degree in economics from the University of Xiamen. Mr. Wu has over 9 years of experience in trading business and the agricultural chemicals industry in Mainland China. Mr. Wu has been nominated as the director of 中國農作物化控專業委員會 (the Professional Crop Chemical Control Committee of China) in 1999. Mr. Wu is responsible for the overall management and operation of the Group, as well as its strategic planning and business development.

Mr. Yang Zhuoya

aged 36, is the Managing Director and is responsible for research and development of the Group. He holds a doctorate degree in agricultural chemistry and plant nutrition. He has been nominated as the standing director of 福建省土壤肥料學會 (Soil and Fertilizer Academy of Fujian Province) for year 2000. Mr. Yang joined the Group in 1998 and is primarily responsible for the Group's product research and development, as well as overseeing its production operations.

Mr. Tung Fai

aged 39, is an Executive Director. He holds a bachelor degree in economics from the Jiangxi Finance Institute in Mainland China and joined the Group in 1998. Mr. Tung is primarily responsible for the Group's strategic planning and investment activities.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor He Zhongpei

aged 66, a Non-executive Director. She graduated from the Agronomy Department of China Agricultural University in 1957. She is presently a professor at the China Agricultural University, a member of the Agricultural Products Academic Committee, a member of the Professional Committee on Agricultural Products and Chemical Control of the National Association for the Promotion of Agricultural Technology, as well as a member of the editorial board of various agricultural publications. Professor He is also the author of 5 books and has published over 100 theses both nationally and internationally. Professor He was nominated as an Outstanding Female Scientist in the 4th International Women Conference in 1995 and an assistant director of the Professional Crop Chemical Control Committee of China in 1999.

Mr. Lam Ming Yung

aged 37, is a Non-executive Director. He graduated from the School of Law of Shanghai Eastern Chinese College of Politics and Jurisprudence in 1986 and was awarded the degree of bachelor of law. Mr. Lam started practicing law in 1987 in Fujian Province in Mainland China, and moved to Hong Kong in mid-1993. He was registered as a foreign lawyer with the Hong Kong Law Society in 1995, and is presently in private practice with a Hong Kong solicitors firm.

SENIOR MANAGEMENT

Mr. Tong Hing Wah, Raymond

aged 30, is the chief financial officer, company secretary and qualified accountant of the Group. He graduated from the Hong Kong Polytechnic University with a bachelor degree in accountancy. He is also an associate member of the Hong Kong Society of Accountants and The Association of Chartered Certified Accountants. He has over 8 years of experience in auditing, accounting and financial management. Mr. Tong joined the Group in 1999 and is primarily responsible for the Group's financial management and strategy, supervision of the Group's accounting and financial reporting procedures and regulatory compliance.

Mr. Chen Wen Ran

aged 29, is the production manager of the Group. He graduated from Beijing Chemical Engineering University with a professional certificate in chemical engineering and has over 6 years' experience in chemical engineering equipment design and technology development. He joined the Group in March 2000.

Ms. Yeh Jing Ping

aged 50, is the finance manager of the Group. She graduated from Fuzhou University with a bachelor degree in commerce and is also a qualified accountant in Mainland China. She has over 17 years' experience in finance and accounting. She was formerly a finance manager of 福州電冰箱有限公司 (Fuzhou Refrigerator Company Limited) and a finance manager of 華榕超市集團有限公司 (Hua Yung Supermarket Group Limited) before she joined the Group in June 1998.

Ms. Gu Xue Mei

aged 29, is the manager of the technology department of the Group. She graduated from Beijing Chemical Engineering University with a professional certificate in fine-chemical engineering and has over 6 years' experience in synthesizing and analysing chemical products. She began to assist Mr. Wu on the establishment of Xiamen Genben Fine Chemical Growth Company Limited in February 1997.

Report of the Directors

The Directors have pleasure in presenting the annual report and the audited financial statements of China Agrotech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30th June, 2001.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands on 9th September, 1999 as an exempted company with limited liability under the Companies Law (Amended) of the Cayman Islands.

The Group underwent and completed a group reorganisation in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 11th November, 1999. The shares of the Company have been listed on the GEM with effect from 25th November, 1999.

Details of the reorganisation are set out in the Company's prospectus published on 16th November, 1999.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of plant growth regulators and operation of agricultural resources supermarket stores in Mainland China.

An analysis of the Group's turnover and contribution to profit/(loss) from operations by principal activity for the year ended 30th June, 2001 is as follows:

	Turnover		Profit/(Loss) from operations	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
By principal activity:				
Production and sale of plant growth regulators (Manufacturing and selling of plant growth regulatory products)	**163,835**	86,732	**64,855**	32,101
Operation of agricultural resources supermarket stores (Trading of pesticides, fertilizers and other agricultural products)	**23,326**	—	**(1,557)**	—
	187,161	86,732	**63,298**	32,101

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 30th June, 2001 are set out in the consolidated income statement on page 30 of this annual report. No geographical analysis of the Group's turnover and contribution to profit/(loss) from operations is presented as the Group's turnover and contribution to profit/(loss) from operations are all derived from Mainland China.

The Directors do not recommend the payment of a dividend for the year ended 30th June, 2001 and recommend that the retained profit of approximately HK$58,544,000 as at 30th June, 2001 be carried forward.

SHARE CAPITAL, WARRANTS AND EMPLOYEE SHARE OPTIONS

Details of share capital, warrants and employee share options of the Company are set out in Notes 20, 21 and 22 to the financial statements.

RESERVES AND RETAINED PROFIT

Details of the movements in the reserves of the Group during the year are set out in Note 23 to the financial statements.

As at 30th June, 2001, the Company's reserve available for distribution to shareholders amounted to approximately HK$62,356,000 which is computed in accordance with the Companies Law (Amended) of the Cayman Islands and the Company's Articles of Association. This includes the Company's share premium of approximately HK$53,424,000 and contributed surplus of approximately HK$11,527,000, less accumulated deficit of approximately HK$2,595,000, which is available for distribution provided that immediately following the date on which the distribution is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 10 to the financial statements.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 30th June, 2001 are set out in Note 18 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries as at 30th June, 2001 are set out in Note 12 to the financial statements.

PENSION SCHEMES

Details of the Group's pension schemes for the year ended 30th June, 2001 are set out in Note 25 to the financial statements.

CONNECTED TRANSACTIONS

During the year ended 30th June, 2001, certain of the Group's banking facilities were secured by personal guarantees provided by Mr. Wu Shaoning and Mr. Tung Fai, directors of the Company. Such banking facilities were settled and the related personal guarantees were released during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Wu Shaoning *(Chairman)*

Yang Zhuoya *(Managing Director)*

Tung Fai

Independent Non-executive Directors:

He Zhongpei

Lam Ming Yung

In accordance with Article 87 of the Company's Articles of Association, Ms. He Zhongpei retires and, being eligible, offer herself for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors has entered into a service agreement with the Company for a period of three years (in the case of Mr. Wu Shaoning, ten years), commencing on 15th November, 1999.

Ms. He Zhongpei and Mr. Lam Ming Yung have been appointed as independent non-executive directors for a term of two years commencing on 15th November, 1999.

None of the directors being proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of directors and senior management of the Group are set out on pages 19 and 20.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th June, 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:

The Company

	Number of Shares					
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Total	Percentage of interests
Wu Shaoning	140,000,000 shares	Nil	Nil	Nil	140,000,000 shares	56%
Tung Fai	28,000,000 shares	Nil	Nil	Nil	28,000,000 shares	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, 2001.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

The Company has a share option scheme under which the executive directors and employees of the Company and its subsidiaries are eligible to be granted options to subscribe for shares in the Company. No share option was granted during the year ended 30th June, 2001 or was outstanding at that date under this scheme.

Save as disclosed above, at no time during the year was the Company or its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debts securities (including debentures) of, the Company or any other body corporate and none of the directors or their associates had any rights to subscribe for securities of the Company, or had exercised any such rights.

SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2001, except the two directors, who were also the management shareholders of the Company as disclosed in the Directors' Interests in Securities section of this 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 30th June, 2001.

DIRECTORS' INTEREST IN CONTRACTS

There were no contracts of significance to which the Company or its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisting at the end of the year or at any time during the year.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
- the largest supplier	33%
- five largest suppliers combined	65%
Sales	
- the largest customer	22%
- five largest customers combined	35%

None of the Directors, their associates, or any shareholders (which to the knowledge of the Directors, owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and five largest suppliers.

SPONSOR'S INTERESTS

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

AUDIT COMMITTEE

The Company established an audit committee on 21st September, 1999 with written terms of reference in compliance with Rules 5.23 to 5.27 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

The audit committee members are Ms. He Zhongpei and Mr. Lam Ming Yung with Mr. Lam Ming Yung as Chairman of such committee. The audit committee met four times during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 30th June, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

AUDITORS

The accompanying financial statements were jointly audited by Messrs. Arthur Andersen & Co and Charles Chan, Ip & Fung CPA Ltd. A resolution for their re-appointment as auditors will be proposed at the forthcoming annual general meeting.

On behalf of the Board
Wu Shaoning
Chairman

Hong Kong, 28th September, 2001

Auditors' Report

ANDERSEN

Arthur Andersen & Co
21st Floor Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

CCIF

Charles Chan, Ip & Fung CPA Ltd.
37th Floor Hennessy Centre
500 Hennessy Road
Causeway Bay
Hong Kong

Auditors' Report to the Shareholders of

CHINA AGROTECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 30 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group as at 30th June, 2001 and of the profit and cash flows of the group for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO
Certified Public Accountants

CHARLES CHAN, IP & FUNG CPA LTD.
Certified Public Accountants
Chan Wai Dune, Charles
Practising Certificate Number P00712

Hong Kong, 28th September, 2001.

Consolidated Income Statement

For the year ended 30th June, 2001 (Expressed in Hong Kong dollars)

	Note	2001 $'000	2000 $'000
			(Note 28)
Turnover	4	**187,161**	86,732
Cost of sales		**(60,250)**	(18,958)
Gross profit		**126,911**	67,774
Selling and distribution expenses		**(41,437)**	(18,545)
General and administrative expenses		**(22,176)**	(17,128)
Profit from operations		**63,298**	32,101
Interest income	4	**5,108**	2,768
Finance costs		**(7,901)**	(1,074)
Profit before taxation	5	**60,505**	33,795
Taxation	7	**—**	(1,640)
Profit after taxation but before minority interests		**60,505**	32,155
Minority interests		**94**	(2,147)
Profit attributable to shareholders	8	**60,599**	30,008
Retained profit, beginning of year		**18,861**	1,921
Transfer to statutory reserves	23	**(7,713)**	—
Elimination of goodwill	12	**(13,203)**	(13,068)
Retained profit, end of year		**58,544**	18,861
Earnings per share - Basic	9	**HK24.2 cents**	HK13.6 cents

Consolidated Statement of Recognised Gains and Losses

For the year ended 30th June, 2001 (Expressed in Hong Kong dollars)

	Note	2001 $'000	2000 $'000
			(Note 28)
Net gains not recognised in the consolidated income statement			
— Translation adjustments	23	**206**	255
Profit attributable to shareholders		**60,599**	30,008
Total recognised gains		**60,805**	30,263
Elimination of goodwill		**(13,203)**	(13,068)
		47,602	17,195

Balance Sheets

As at 30th June, 2001 (Expressed in Hong Kong dollars)

		Consolidated		Company	
	Notes	**2001** **$'000**	2000 $'000	**2001** **$'000**	2000 $'000
NON-CURRENT ASSETS					
Property, plant and equipment	10	**70,686**	38,298	**—**	—
Development expenditures	11	**7,600**	4,204	**—**	—
Investment in subsidiaries	12	**—**	—	**76,379**	92,686
Investment deposit	13	**16,975**	—	**—**	—
Total non-current assets		**95,261**	42,502	**76,379**	92,686
CURRENT ASSETS					
Inventories	14	**5,221**	1,837	**—**	—
Prepayments, deposits and other current assets		**4,971**	3,268	**905**	210
Accounts receivable	15	**17,466**	9,759	**—**	—
Loan receivable		**—**	8,000	**—**	—
Due from directors	16	**—**	100	**—**	—
Due from a subsidiary	12	**—**	—	**23,499**	—
Dividend receivable from a subsidiary		**—**	—	**—**	4,000
Pledged bank deposits	17 & 27	**1,593**	41,021	**—**	6,021
Other cash and bank deposits	17	**96,658**	56,744	**40,407**	5,182
Total current assets		**125,909**	120,729	**64,811**	15,413
CURRENT LIABILITIES					
Short-term bank borrowings	18 & 27	**(48,593)**	(46,988)	**(47,000)**	(14,000)
Accounts payable		**(4,057)**	(4,635)	**—**	—
Accruals and other payables	19	**(18,023)**	(8,713)	**(6,834)**	(1,267)
Taxation payable		**(3,858)**	(3,858)	**—**	—
Total current liabilities		**(74,531)**	(64,194)	**(53,834)**	(15,267)
Net current assets		**51,378**	56,535	**10,977**	146
Net assets		**146,639**	99,037	**87,356**	92,832
Representing –					
SHARE CAPITAL	20	**25,000**	25,000	**25,000**	25,000
RESERVES	23	**63,095**	55,176	**64,951**	64,951
RETAINED PROFIT (ACCUMULATED DEFICIT)		**58,544**	18,861	**(2,595)**	2,881
Shareholders' equity		**146,639**	99,037	**87,356**	92,832

Approved by the Board of Directors on 28th September, 2001:

WU SHAONING
Director

TUNG FAI
Director

Consolidated Cash Flow Statement

For the year ended 30th June, 2001 (Expressed in Hong Kong dollars)

	Notes	2001 $'000	2000 $'000
			(Note 28)
NET CASH INFLOW FROM OPERATING ACTIVITIES	24.a	60,659	37,889
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		5,363	916
Finance costs paid		(2,452)	(1,060)
Dividends paid to a minority shareholder of a subsidiary		—	(3,545)
		2,911	(3,689)
INVESTING ACTIVITIES			
Additions of property, plant and equipment		(38,954)	(38,567)
Additions of development expenditures		(4,692)	(3,177)
Proceeds from disposal of property, plant and equipment		—	1
Acquisition of interest in subsidiaries	12	(13,203)	(13,800)
Increase in investment deposit		(16,975)	—
Decrease (Increase) in pledged bank deposits		33,407	(35,000)
Decrease in amount due from directors		100	2,458
Decrease (Increase) in loan receivable		8,000	(8,000)
Decrease (Increase) in advance to an employee		760	(760)
Translation adjustments		181	29
		(31,376)	(96,816)
Net cash inflow (outflow) before financing activities		32,194	(62,616)
FINANCING	24.b		
Proceeds from issue of shares		—	90,000
Share issuance expenses		—	(11,776)
New short-term bank borrowings		48,593	32,988
Repayment of short-term bank borrowings		(32,988)	—
Equity contribution by a minority shareholder of a subsidiary		94	—
		15,699	111,212
Increase in cash and cash equivalents		47,893	48,596
Cash and cash equivalents, beginning of year		48,765	169
Cash and cash equivalents, end of year	24.c	96,658	48,765

Notes to the Financial Statements

(Amounts expressed in Hong Kong dollars unless otherwise stated)

1. ORGANISATION AND OPERATIONS

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

The Company is an investment holding company. Its subsidiaries are principally engaged in the manufacturing and selling of plant growth regulatory products and trading of pesticides, fertilizers and other agricultural products in Mainland China.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, and the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. Principal accounting policies are summarised below:

a. Basis of measurement

The financial statements have been prepared on the historical cost basis.

b. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (the "Group"). The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

c. Goodwill

Goodwill represents the difference between the fair value of the consideration given and the Group's share of the aggregate fair values of the identifiable net assets acquired. Positive goodwill arises where the fair value of the consideration given exceeds the Group's share of the aggregate fair values of the identifiable net assets acquired and is eliminated immediately against available reserves. Negative goodwill arises where the Group's share of the fair values of the identifiable net assets acquired exceeds the fair value of the consideration given and is credited to reserves. Upon the disposal of interests in subsidiaries, the underlying goodwill is reversed and included as investment cost in determining gain or loss on disposal.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

d. Subsidiaries

A subsidiary is a company in which the Company holds, directly or indirectly, more than 50% of its issued voting share capital as a long-term investment or in which the Group governs and controls its financial and operating policies. In the Company's financial statements, investment in subsidiaries is stated at cost less provision for any impairment in value, while income from subsidiaries is recorded to the extent of dividends received and receivable.

e. Equity joint ventures

An equity joint venture is a joint venture in which the joint venture partners' shares of profit or loss and net assets upon the expiration of the joint venture period are in proportion to their equity interests as set out in the joint venture agreement. An equity joint venture is accounted for as a subsidiary if the Group owns more than 50% of the joint venture and is able to govern and control its financial and operating policies.

f. Turnover and revenue recognition

Turnover represents the net invoiced value (excluding value-added tax) of merchandise sold after allowances for returns and discounts.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Sales revenue is recognised when the merchandise is delivered and title has passed. Interest income is recognised on a time proportion basis on the principal outstanding and at the rate applicable.

g. Taxation

Individual companies within the Group provide for profits tax on the basis of their profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements, except when it is considered that no liability will arise in the foreseeable future. Deferred tax assets are not recognised unless the related benefits are expected to crystallise in the foreseeable future.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

h. Research and development expenditures

Research expenditures are written off as incurred. Development expenditures are charged against income in the period in which they are incurred, except for those incurred for specific projects which are deferred where recoverability can be foreseen with reasonable assurance and which comply with the following criteria: (i) the costs attributable to the product or process can be separately identified and measured reliably; (ii) the technical feasibility of the product or process can be demonstrated; (iii) there is an intention to produce and market, or use, the product or process; (iv) the ability to produce or use the product or process can be demonstrated; (v) the existence of a market for the product or process or, if it is to be used internally rather than sold, its usefulness, can be demonstrated; and (vi) adequate resources exist, or their availability can be demonstrated, to complete the project and market or use the product or process. Deferred development costs are amortised on a straight-line basis over a period of not more than five years in which the related products or processes are expected to be sold or used, starting from the commencement of sales or the utilisation of the product or process.

The Company's Directors review and evaluate the recoverability of the carrying value of the deferred development costs periodically by reference to factors, including, but not limited to, anticipated revenue to be generated from the product or process under development and changes in technology and knowhow.

i. Advertising and promotion costs

Costs of advertising and promotion are expensed as incurred.

j. Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which they are incurred.

k. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to bring to its intended use or sale are capitalised as part of the cost of that asset at rates based on the actual cost of the specific borrowings. All other borrowing costs are recognised as an expense in the period in which they are incurred.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

l. Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation. Major expenditures on modifications and betterments of property, plant and equipment which will result in future economic benefits are capitalised, while expenditures on repairs and maintenance are expensed when incurred. Depreciation is provided on a straight-line basis to write off the cost of each asset over its estimated useful life. The annual rates of depreciation are as follows:

Leasehold land	2% (lease terms)
Buildings	5%
Machinery	20%
Furniture and office equipment	20%
Motor vehicles	20%
Computer equipment and software	20%

The carrying value of property, plant and equipment is assessed periodically or when factors indicating an impairment are present. Individual items of property, plant and equipment carried at cost less accumulated depreciation are reduced to their recoverable amount if this is lower than net book value, with the difference charged to the income statement. In determining the recoverable amount of individual items of property, plant and equipment, expected future cash flows are not discounted to their present value.

Gains or losses on disposal of property, plant and equipment are recognised in the income statement based on the net disposal proceeds less the carrying amount of the assets.

Construction-in-progress represents buildings under construction and computer equipment and software under development. It is stated at cost, which includes construction or development costs incurred and other costs attributable to the construction or development of the related assets. No depreciation is provided in respect of construction-in-progress until the construction work or development is completed.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

m. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes cost of raw materials determined using the weighted average method of costing and, in the case of work-in-progress and finished goods, also direct labour and an appropriate proportion of production overheads. Net realisable value is based on estimated normal selling prices, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

n. Provisions and contingencies

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

o. Operating leases

Operating leases represent those leases under which substantially all the risks and rewards of ownership of the leased assets remain with the lessors. Rental payments under operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

p. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at the applicable rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in other currencies are translated into their respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the income statements of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; income and expense items are translated into Hong Kong dollars at the average applicable exchange rates during the year. Exchange differences arising from such translations are dealt with as movements of cumulative translation adjustments.

q. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

During the year ended 30th June, 2001, the Group had short-term bank borrowings of $8,000,000, which were secured by personal guarantees provided by Mr. Wu Shaoning and Mr. Tung Fai, directors of the Company. Such loans were settled and the related personal guarantees were released during the year.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

4. TURNOVER AND REVENUE

Turnover and revenue consisted of:

	2001	2000
	$'000	*$'000*
		(Note 28)
Turnover		
- Manufacturing and selling of plant growth regulatory products	**163,835**	86,732
- Trading of pesticides, fertilizers and other agricultural products	**23,326**	—
Total turnover	**187,161**	86,732
Interest income	**5,108**	2,768
Total revenue	**192,269**	89,500

Sales to the top five customers accounted for approximately 35% of the Group's sales for the year ended 30th June, 2001 (2000 - 41%).

Turnover by principal activity and their respective contributions to profit (loss) from operations are:

	2001		2000	
	Turnover	**Profit (Loss) from operations**	Turnover	Profit from operations
	$'000	***$'000***	*$'000*	*$'000*
			(Note 28)	*(Note 28)*
Manufacturing and selling of plant growth regulatory products	**163,835**	**64,855**	86,732	32,101
Trading of pesticides, fertilizers and other agricultural products	**23,326**	**(1,557)**	—	—
	187,161	**63,298**	86,732	32,101

No geographical analysis of the Group's turnover and their respective contributions to profit (loss) from operations is presented as the majority of the Group's turnover is attributable to business conducted in Mainland China.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

5. PROFIT BEFORE TAXATION

Profit before taxation is determined after charging and crediting the following items:

	2001 *$'000*	2000 *$'000*
		(Note 28)
After charging —		
Staff costs* (including directors' emoluments)	6,462	5,239
Research and development costs	6,593	4,603
Amortisation of development expenditures	1,298	614
Advertising and promotion expenses	18,826	5,839
Operating lease rentals of premises and motor vehicles	1,828	1,413
Finance costs		
- arrangement fee for a bank loan	3,500	—
- interest on bank borrowings wholly repayable within five years	4,401	1,074
Provision for bad and doubtful debts	457	491
Depreciation of property, plant and equipment	6,587	1,915
Loss on disposal of property, plant and equipment	2	1
Net exchange loss	292	116
Auditors' remuneration	835	629
After crediting —		
Interest income from		
- bank deposits	5,108	2,512
- subscription monies	—	256

(Amounts expressed in Hong Kong dollars unless otherwise stated)

5. PROFIT BEFORE TAXATION (Continued)

* Staff costs include provision for staff welfare and bonus fund of approximately $326,000 (2000 - $208,000) provided by Xiamen Genben Fine Chemical Industry Co., Ltd., Fuzhou Topmart Plant Growth Co., Ltd., Fujian Chaoda Topmart Plant Growth Co., Ltd. and 平和縣超大浩倫錦溪生產資料有限公司, subsidiaries established in Mainland China (collectively "Mainland China Subsidiaries"). As stipulated by rules and regulations in Mainland China, the amount of provision for staff welfare and bonus fund is determined at the discretion of the respective boards of directors of Mainland China Subsidiaries. The fund can be utilised for special bonuses and providing collective welfare to the employees of Mainland China Subsidiaries.

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

a. Details of directors' emoluments are:

	2001 $'000	2000 $'000
		(Note 28)
Fees for executive directors	—	—
Fees for non-executive directors	120	70
Other emoluments for executive directors		
- Basic salaries and allowances	1,616	1,290
- Retirement contribution	14	—
Other emoluments for non-executive directors	—	—
	1,750	1,360

No director waived any emoluments during the year. No emoluments were incurred as inducement to join or upon joining the Group.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

a. Details of directors' emoluments are: (Continued)

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	2001	2000
Executive directors		
- Nil to $1,000,000	3	3
Non-executive directors		
- Nil to $1,000,000	2	2
	5	5

During the year ended 30th June, 2001, the three executive directors received individual emoluments of approximately $405,000 (2000 - $320,000), $412,000 (2000 - $380,000) and $813,000 (2000 - $590,000), respectively. Each of the two non-executive directors received fees of $60,000 (2000 - $35,000).

b. Details of emoluments paid to the five highest paid individuals (including directors and other employees) are:

	2001 *$'000*	2000 *$'000*
		(Note 28)
Basic salaries and allowances	2,535	1,897
Retirement contribution	28	—
	2,563	1,897

Three (2000 - three) of the highest paid individuals are directors of the Company, whose emoluments are included in Note 6.a above.

The remuneration of each of the highest paid individuals falls within the band of Nil to $1,000,000 during the years ended 30th June, 2000 and 2001.

During the year ended 30th June, 2001, no emoluments of the five highest paid individuals (including executive directors and other employees) were paid as inducement to join or upon joining the Group or as compensation for loss of office.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

7. TAXATION

Taxation in the consolidated income statement consisted of:

	2001	2000
	$'000	*$'000*
		(Note 28)
Current taxation		
- Mainland China enterprise income tax	—	1,640

The Company is exempted from taxation in the Cayman Islands until 2019.

No provision for Hong Kong profits tax has been made as the Group had no assessable profit in Hong Kong.

Xiamen Genben Fine Chemical Industry Co., Ltd. ("Xiamen Genben"), a wholly-owned subsidiary established and operated in Xiamen, Fujian Province, Mainland China, a special economic region of Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, it is exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. The tax exemption period of Xiamen Genben expired on 31st December, 1998 and it is subject to Mainland China enterprise income tax at a rate of 7.5% from 1st January, 1999 to 31st December, 2001. No provision for Mainland China enterprise income tax has been recorded as Xiamen Genben had no taxable profit during the year ended 30th June, 2001 (2000 - provision for enterprise income tax of approximately $1,640,000).

Fuzhou Topmart Plant Growth Co., Ltd. ("Fuzhou Topmart") and Fujian Chaoda Topmart Plant Growth Co., Ltd. ("Fujian Chaoda Topmart"), wholly-owned subsidiaries established and operated in Fuzhou, Fujian Province, Mainland China, are subject to Mainland China enterprise income tax at a rate of 24%. However, they are exempted from enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. Fuzhou Topmart was in its first year of profitable operations during the period from 6th July, 1999 (date of incorporation) to 31st December, 1999. The tax exemption period of Fuzhou Topmart expired on 31st December, 2000 and it is subject to Mainland China enterprise income tax at a rate of 12% from 1st January, 2001 to 31st December, 2003. No provision for Mainland China enterprise income tax for Fuzhou Topmart was recorded as it had no taxable profit for the period from 1st January, 2001 to 30th June, 2001. Fujian Chaoda Topmart was in its first year of profitable operations during the period from 17th January, 2001 (date of incorporation) to 30th June, 2001, and, accordingly, no Mainland China enterprise income tax was payable.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

7. TAXATION (Continued)

平和縣超大浩倫錦溪生產資料有限公司 (“平和超大浩倫”) , a 90% owned subsidiary established and operated in Zhangzhou, Fujian Province, Mainland China, is subject to Mainland China enterprise income tax at a rate of 33%. No provision for Mainland China enterprise income tax was provided as 平和超大浩倫 had no taxable profit during the year ended 30th June, 2001.

There was no significant unprovided deferred taxation as at 30th June, 2001.

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately $5,476,000 (2000 - profit of approximately $2,881,000) dealt with in the financial statements of the Company.

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 30th June, 2001 is based on the consolidated profit attributable to shareholders of approximately $60,599,000 (2000 - $30,008,000) and the weighted average of 250,000,000 (2000 - approximately 219,877,000) ordinary shares in issue during the year.

No diluted earnings per share is presented as the outstanding unlisted warrants were anti-dilutive.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

a. Movements of property, plant and equipment (consolidated) were:

	2001						2000
	Land and buildings $'000	Machinery $'000	Furniture and office equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000	Total $'000
							(Note 28)
Cost							
Beginning of year	15,420	24,295	245	1,080	—	41,040	2,364
Additions	—	9,633	43	702	28,576	38,954	38,567
Transfer	2,491	—	—	—	(2,491)	—	—
Disposals	—	(2)	—	—	—	(2)	(4)
Translation adjustments	9	16	—	—	—	25	113
End of year	17,920	33,942	288	1,782	26,085	80,017	41,040
Accumulated depreciation							
Beginning of year	165	2,435	33	109	—	2,742	820
Provision for the year	942	5,330	52	263	—	6,587	1,915
Disposals	—	—	—	—	—	—	(2)
Translation adjustments	—	2	—	—	—	2	9
End of year	1,107	7,767	85	372	—	9,331	2,742
Net book value							
End of year	16,813	26,175	203	1,410	26,085	70,686	38,298
Beginning of year	15,255	21,860	212	971	—	38,298	1,544

The land and buildings represent the Group's factory premises located in Hui An, Fujian Province, Mainland China, on a parcel of land held under a land use right for a period of 50 years up to June 2050.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT (Continued)

b. Analysis of construction-in-progress (consolidated) is:

	2001	2000
	$'000	*$'000*
Construction costs of buildings	**2,509**	—
Costs of computer equipment and software under development *	**23,576**	—
	26,085	—

* Capitalised costs of computer equipment and software represents progress payments to software consultants for the development of a computer system for the Group's own use.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

11. DEVELOPMENT EXPENDITURES

Movements of development expenditures were:

	2001 *$'000*	2000 *$'000*
		(Note 28)
Cost		
Beginning of year	**5,567**	2,267
Additions	**4,692**	3,177
Translation adjustments	**3**	123
End of year	**10,262**	5,567
Accumulated amortisation		
Beginning of year	**1,363**	748
Amortisation	**1,298**	614
Translation adjustments	**1**	1
End of year	**2,662**	1,363
Net book value		
End of year	**7,600**	4,204
Beginning of year	**4,204**	1,519

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. INVESTMENT IN SUBSIDIARIES

In the Company's balance sheet, investment in subsidiaries consisted of:

	2001	2000
	$'000	*$'000*
Unlisted shares, at cost	**11,727**	11,727
Due from subsidiaries	**64,652**	80,959
	76,379	92,686

The above amounts due from subsidiaries of approximately $64,652,000 (2000 - $80,959,000) are unsecured and non-interest bearing. The Company has agreed not to demand repayment from the subsidiaries until the subsidiaries are financially capable to do so. In addition, the Company had an amount due from a subsidiary of approximately $23,499,000 as at 30th June, 2001 (2000 - Nil), which is unsecured, bears interest at approximately 6% per annum (2000 - Nil) and had no pre-determined repayment terms.

The underlying value of the investment in subsidiaries is, in the opinion of the Company's Directors, not less than its carrying value as at 30th June, 2001.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. INVESTMENT IN SUBSIDIARIES (Continued)

Details of the subsidiaries as at 30th June, 2001 are:

Name	Place of incorporation and operations	Issued and fully paid share capital/ registered capital	Percentage of equity interest attributable to the Group (i)	Principal activities
Fujian Chaoda Topmart Plant Growth Co., Ltd. (ii)	Mainland China	RMB15,800,000	100%	Manufacturing and selling of plant growth regulatory products
Fuzhou Topmart Plant Growth Co., Ltd. (iii)	Mainland China	$40,000,000	100%	Manufacturing and selling of plant growth regulatory products
Loyal Faith International Industrial Limited	Hong Kong	$1,000,000	100%	Investment holding
Topmart Limited	Hong Kong	$2	100%	Investment holding
Xiamen Genben Fine Chemical Industry Co., Ltd. (iv)	Mainland China	RMB1,915,000	100%	Manufacturing and selling of plant growth regulatory products
Yut Yat Company Limited	British Virgin Islands	US$60,000	100%	Investment holding
平和縣超大浩倫錦溪生產資料有限公司 (v)	Mainland China	RMB1,000,000	90%	Trading of pesticides, fertilizers and other agricultural products

(Amounts expressed in Hong Kong dollars unless otherwise stated)

12. INVESTMENT IN SUBSIDIARIES (Continued)

Notes -

(i) The shares of Yut Yat Company Limited are held directly by the Company. The shares of other subsidiaries are held indirectly.

(ii) Fujian Chaoda Topmart Plant Growth Co., Ltd. is a sino-foreign equity joint venture established in Mainland China by Topmart Limited, a wholly-owned subsidiary, as the foreign joint venture partner, and Fuzhou Topmart Plant Growth Co., Ltd., a wholly foreign owned enterprise (see (iii) below) as Mainland China joint venture partner. The Company is to be operated for 15 years until January 2016.

(iii) Fuzhou Topmart Plant Growth Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 15 years up to July 2014. During the year ended 30th June, 2001, its registered capital was increased from $1,200,000 to $40,000,000.

(iv) Xiamen Genben Fine Chemical Industry Co., Ltd. is a wholly foreign owned enterprise established in Mainland China to be operated for 15 years until January 2013.

(v) During the year ended 30th June, 2001, the Group invested in approximately $14,052,000 to acquire 90% of 平和縣超大浩倫錦溪生產資料有限公司 ("平和超大浩倫"), of which approximately $13,203,000 was paid to the minority shareholder for transferring certain of its business into 平和超大浩倫 and approximately $849,000 was injected into 平和超大浩倫 as capital contribution. Goodwill resulting from this acquisition amounted to approximately $13,203,000 which has been eliminated against retained profit.平和超大浩倫 is a limited liability company established in Mainland China to be operated for 15 years until March 2016.

None of the subsidiaries had any loan capital in issue at any time during the year ended 30th June, 2001.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

13. INVESTMENT DEPOSIT

In September 2000, the Group paid a deposit of approximately $16,975,000 to an agricultural biotechnology research centre in Mainland China (the "Research Centre") in return for an exclusive right to negotiate with the Research Centre the formation of a joint venture with the Research Centre for production of a new type of biological pesticide developed by the Research Centre. If a joint venture is established, the investment deposit will be injected into the joint venture as part of the Group's contribution. If a joint venture cannot be established before 31st May, 2002 due to default by the Research Centre or other events uncontrollable by both parties, the Research Centre is obliged to refund to the Group the entire investment deposit before 30th June, 2002 in cash or to transfer to the Group the exclusive right to use the aforementioned biological pesticide. Details of the joint venture, including, among other things, equity allocation and investment amount, have not been finalised as at the date of approval of these financial statements.

14. INVENTORIES

Inventories (consolidated) consisted of:

	2001	2000
	$'000	*$'000*
Raw materials	**1,906**	1,636
Work-in-progress	**52**	6
Finished goods	**3,263**	195
	5,221	1,837

No inventory was stated at net realisable value as at 30th June, 2001 (2000 - Nil).

(Amounts expressed in Hong Kong dollars unless otherwise stated)

15. ACCOUNTS RECEIVABLE

All of the Group's sales are made on an open account basis, with credit periods ranging from 30 to 60 days. Aging analysis of accounts receivable (consolidated) is as follows:

	2001 *$'000*	2000 *$'000*
0 to 30 days	13,551	6,967
31 to 60 days	4,863	3,283
	18,414	10,250
Less: Provision for bad and doubtful debts	(948)	(491)
	17,466	9,759

16. DUE FROM DIRECTORS

Details of amounts due from directors (consolidated) are as follows:

Name	2001 *$'000*	2000 *$'000*	Maximum amount outstanding during the year *$'000*
Mr. Wu Shaoning	—	69	69
Mr. Yang Zhuoya	—	31	31
	—	100	

The outstanding balances with directors were unsecured, non-interest bearing and repayable on demand.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

17. CASH AND BANK DEPOSITS

Cash and bank deposits consisted of:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Pledged bank deposits,				
denominated in				
- Hong Kong dollars	**—**	41,021	**—**	6,021
- Chinese Renminbi	**1,593**	—	**—**	—
	1,593	41,021	**—**	6,021
Other cash and bank deposits,				
denominated in				
- Hong Kong dollars and				
United States dollars	**78,690**	40,415	**40,407**	5,182
- Chinese Renminbi	**17,968**	16,329	**—**	—
	96,658	56,744	**40,407**	5,182

Chinese Renminbi ("RMB") is not a freely convertible currency in the international market and its exchange rate is determined by the Government of Mainland China.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

18. SHORT-TERM BANK BORROWINGS

Short-term bank borrowings consisted of:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Short-term bank borrowings,				
denominated in				
- Hong Kong dollars	**47,000**	14,000	**47,000**	14,000
- Chinese Renminbi	**1,593**	32,988	**—**	—
	48,593	46,988	**47,000**	14,000

The short-term bank borrowings bear interest at rates ranging from 6% to 11% per annum (2000 - 8.5% to 11%).

Short-term bank borrowings of approximately $1,593,000 (2000 - $46,988,000) are secured by bank deposits of approximately $1,593,000 (2000 - $41,021,000).

During the year ended 30th June, 2001, the Group had short-term bank borrowings of $8,000,000, which were secured by personal guarantees provided by Mr. Wu Shaoning and Mr. Tung Fai, directors of the Company. Such loans were settled and the related personal guarantees were released during the year.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

19. ACCRUALS AND OTHER PAYABLES

Accruals and other payables consisted of:

	Consolidated		Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Accrued operating expenses	**4,170**	3,482	**1,371**	1,253
Accrued promotion and advertising expenses	**6,022**	3,175	**—**	—
Accrued finance costs	**5,463**	14	**5,463**	14
Accrued staff welfare and bonus fund (see Note 5)	**677**	351	**—**	—
Others	**1,691**	1,691	**—**	—
	18,023	8,713	**6,834**	1,267

(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. SHARE CAPITAL

Movements were:

	2001 Number of shares '000	**2001** Nominal value $'000	2000 Number of shares '000	2000 Nominal value $'000
Authorised				
(ordinary shares of $0.10 each)				
Beginning of year	**500,000**	**50,000**	—	—
Incorporation of the Company (a)	—	—	1,000	100
The Reorganisation referred to in Note 28 (b)	—	—	1,000	100
Increase in authorised share capital (c)	—	—	498,000	49,800
End of year	**500,000**	**50,000**	500,000	50,000
Issued and fully paid				
(ordinary shares of $0.10 each)				
Beginning of year	**250,000**	**25,000**	—	—
Issue of shares upon incorporation (a)	—	—	1,000	—
Issue of shares arising from the Reorganisation referred to in Note 28 (b)	—	—	1,000	200
Issue of shares through public offering and placing (d)	—	—	75,000	7,500
Capitalisation of share premium (e)	—	—	173,000	17,300
End of year	**250,000**	**25,000**	250,000	25,000

(Amounts expressed in Hong Kong dollars unless otherwise stated)

20. SHARE CAPITAL (Continued)

Notes -

(a) On 9th September, 1999, the Company was incorporated with an authorised share capital of $100,000, divided into 1,000,000 shares of $0.10 each. On 10th September, 1999, one share was issued at par and was fully paid in cash, and the remaining 999,999 shares were issued at par, nil paid.

(b) On 11th November, 1999, the authorised share capital of the Company was increased from $100,000 to $200,000, by the creation of an additional 1,000,000 shares ranking pari passu with the then existing shares in all respects. On the same date, the 999,999 shares issued on 10th September, 1999 were credited as fully paid, and an additional 1,000,000 shares were issued at par and credited as fully paid, in exchange for the entire issued share capital of Yut Yat Company Limited.

(c) On 11th November, 1999, the authorised share capital of the Company was increased from $200,000 to $50,000,000, by the creation of an additional 498,000,000 shares ranking pari passu with the then existing shares in all respects.

(d) On 11th November, 1999, 75,000,000 shares of $0.10 each were issued at $1.20 per share through a public offering and placing ("the New Issue"), resulting in net cash proceeds of approximately $78,224,000.

(e) Immediately after the New Issue, share premium of $17,300,000 was capitalised for the issuance of 173,000,000 shares of $0.10 each on a pro-rata basis to the Company's shareholders before the New Issue.

21. WARRANTS

In November 2000, in connection with obtaining a loan of $47,000,000 from a bank, the Company issued warrants to the bank conferring rights to subscribe for shares in the Company up to $47,000,000 at a subscription price of $1.38 per share (subject to adjustment). These warrants are transferable and exercisable during the period from 7th November, 2000 to 7th November, 2001 (both dates inclusive). No warrants were exercised during the year ended 30th June, 2001.

22. EMPLOYEE SHARE OPTIONS

The Company has an employee share option scheme, under which it may grant options to employees of the Group (including executive directors of the Company) to subscribe for shares in the Company, subject to a maximum of 10% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The subscription price will be determined by a duly authorised committee of the board of directors. The subscription price will not be less than the highest of (i) the nominal value of the Company's shares, (ii) the average of the closing price of the shares quoted on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the grant date, and (iii) the closing price of the shares on the grant date. As at 30th June, 2001, no options have been granted under the employee share option scheme.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. RESERVES

Movements of reserves were:

	Share premium $'000	Statutory reserves (a) $'000	Capital reserve (b) $'000	Contributed surplus (c) $'000	Cumulative translation adjustments $'000	Total $'000
Consolidated						
Balance as at 30th June, 1999	—	293	—	—	16	309
Premium on issue of shares	82,500	—	—	—	—	82,500
Share issuance expenses	(11,776)	—	—	—	—	(11,776)
Capitalisation of share premium	(17,300)	—	—	—	—	(17,300)
Effect of the Reorganisation (Note 28)	—	—	1,188	—	—	1,188
Translation adjustments	—	—	—	—	255	255
Balance as at 30th June, 2000	53,424	293	1,188	—	271	55,176
Transfer from retained profit to statutory reserves	—	7,713	—	—	—	7,713
Translation adjustments	—	—	—	—	206	206
Balance as at 30th June, 2001	53,424	8,006	1,188	—	477	63,095
Company						
Balance as at 30th June, 1999	—	—	—	—	—	—
Premium on issue of shares	82,500	—	—	—	—	82,500
Share issuance expenses	(11,776)	—	—	—	—	(11,776)
Capitalisation of share premium	(17,300)	—	—	—	—	(17,300)
Effect of the Reorganisation (Note 28)	—	—	—	11,527	—	11,527
Balance as at 30th June, 2000 and 2001	53,424	—	—	11,527	—	64,951

(Amounts expressed in Hong Kong dollars unless otherwise stated)

23. RESERVES (Continued)

Notes -

(a) As stipulated by rules and regulations in Mainland China, foreign investment enterprises are required to appropriate part of their after-tax profit (after offsetting prior year losses) to certain statutory reserves. Xiamen Genben Fine Chemical Industry Co., Ltd. ("Xiamen Genben") and Fuzhou Topmart Plant Growth Co., Ltd. ("Fuzhou Topmart"), as wholly foreign owned enterprises established in Mainland China, are required to appropriate 10% of their after-tax profit (after offsetting prior year losses) to a general reserve fund until the balance of the fund reaches 50% of their share capital and thereafter any further appropriation is optional and is determinable by the companies' board of directors. Fujian Chaoda Topmart Plant Growth Co., Ltd. ("Fujian Chaoda Topmart"), as a sino-foreign equity joint venture established in Mainland China, is required to make appropriation to a general reserve fund and an enterprise expansion fund at rates at the discretion of its board of directors. During the year ended 30th June, 2001, the board of directors of Fujian Chaoda Topmart determined not to make any appropriation to the general reserve fund or enterprise expansion fund.

During the year ended 30th June, 2000, the boards of directors of Fuzhou Topmart and Xiamen Genben did not resolve to appropriate any of the companies' after-tax profit to the general reserve fund as the companies did not resolve to distribute any of their retained profit. During the year ended 30th June, 2001, the boards of directors of Fuzhou Topmart and Xiamen Genben resolved to appropriate approximately $7,112,000 and $601,000 from the respective company's retained profit to their general reserve funds. Thereafter, the general reserve fund of Xiamen Genben had reached 50% of the company's share capital and its board of directors determined that no further appropriation is necessary unless there is an increase in the amount of its share capital.

The statutory reserves as at 30th June, 2001 represents general reserve funds of Xiamen Genben of approximately $894,000 and Fuzhou Topmart of approximately $7,112,000, which can be utilised to offset prior year losses, or be utilised for issuance of bonus shares on the condition that the general reserve fund shall be maintained at a minimum of 25% of the share capital after such issuance.

(b) Capital reserve represents (i) capital reserve of the subsidiaries, and (ii) the difference between the aggregate nominal value of the share capital issued by the Company and the aggregate nominal amount of the share capital of subsidiaries through an exchange of shares.

(c) The contributed surplus of the Company represents the difference between the aggregate nominal value of the share capital issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares.

Under the Companies Law (Amended) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

As at 30th June, 2001, the Company's reserves available for distribution to shareholders amounted to approximately $62,356,000 (2000 - $67,832,000) computed in accordance with the Companies Law (Amended) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium of approximately $53,424,000 (2000 - $53,424,000) and contributed surplus of approximately $11,527,000 (2000 - $11,527,000), less accumulated deficit of approximately $2,595,000 (2000 - plus retained profit of approximately $2,881,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay its debts as they fall due in the ordinary course of business.

(Amounts expressed in Hong Kong dollars unless otherwise stated)

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Reconciliation of profit before taxation to net cash inflow from operating activities:

	2001 *$'000*	2000 *$'000*
		(Note 28)
Profit before taxation	**60,505**	33,795
Interest income	**(5,108)**	(2,768)
Finance costs	**7,901**	1,074
Depreciation of property, plant and equipment	**6,587**	1,915
Amortisation of development expenditures	**1,298**	614
Loss on disposal of property, plant and equipment	**2**	1
Increase in inventories	**(3,384)**	(1,530)
Increase in prepayments, deposits and other current assets	**(2,718)**	(386)
Increase in accounts receivable	**(7,707)**	(8,911)
Decrease in amount due from a related company	**—**	125
(Decrease) Increase in accounts payable	**(578)**	4,635
Increase in accruals and other payables	**3,861**	9,325
Net cash inflow from operating activities	**60,659**	37,889

(Amounts expressed in Hong Kong dollars unless otherwise stated)

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

b. Analysis of changes in financing is:

	Share capital and share premium $'000	Short-term bank borrowings $'000	Minority interests $'000
Balance as at 30th June, 1999	1,388	—	—
Issue of shares through a public offering and placing	90,000	—	—
Share issuance expenses	(11,776)	—	—
Share exchange upon the Reorganisation	200	—	—
Effect of the Reorganisation	(1,388)	—	—
New short-term bank borrowings, repayable			
- within three months	—	14,000	—
- more than three months	—	32,988	—
Balance as at 30th June, 2000	78,424	46,988	—
Repayment of short-term bank borrowings, repayable			
- within three months	—	(14,000)	—
- more than three months	—	(32,988)	—
New short-term bank borrowings	—	48,593	—
Equity contribution by a minority shareholder of a subsidiary	—	—	94
Share of loss for the year	—	—	(94)
Balance as at 30th June, 2001	78,424	48,593	—

(Amounts expressed in Hong Kong dollars unless otherwise stated)

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

c. Analysis of cash and cash equivalents is:

	2001 *$'000*	2000 *$'000*
Pledged bank deposits	—	6,021
Other cash and bank deposits	96,658	56,744
Short-term bank borrowings	—	(14,000)
	96,658	48,765

25. PENSION SCHEMES

As stipulated by rules and regulations in Mainland China, the Group's subsidiaries in Mainland China are required to contribute to a state-sponsored retirement plan for their employees in Mainland China. The companies contribute to the state-sponsored retirement plan approximately 21% of the basic salary of their employees, and have no further obligation for the actual pension payments or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plan is responsible for the entire pension obligations payable to retired employees.

From 1st December, 2000, the Group has arranged for its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Each of the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation, subject to maximum monthly earnings of $20,000 and thereafter contributions are voluntary.

During the year ended 30th June, 2001, the aggregate amount of the Group's contributions to the aforementioned pension schemes was approximately $291,000 (2000 - $304,000). As at 30th June, 2001, there was no material forfeited contributions available to reduce the employer's contributions payable in future periods (2000 - Nil).

(Amounts expressed in Hong Kong dollars unless otherwise stated)

26. COMMITMENTS

a. Capital commitments

Capital commitments (consolidated) not provided for in the financial statements are analysed as follows:

	2001 $'000	2000 $'000
Authorised and contracted for		
- purchase of property, plant and equipment	**11,066**	1,305
Authorised but not contracted for		
- purchase of property, plant and equipment	**13,203**	—

b. Operating lease commitments

Total commitments payable under various non-cancellable operating lease agreements in respect of rented premises and motor vehicles are analysed as follows:

	2001 $'000	2000 $'000
Amount payable		
- within one year	**2,988**	1,242
- between one year and two years	**402**	564
- between two years and five years	**98**	—
	3,488	1,806

(Amounts expressed in Hong Kong dollars unless otherwise stated)

26. COMMITMENTS (Continued)

b. **Operating lease commitments** (Continued)

The commitments payable within the next twelve months are analysed as follows:

	2001 *$'000*	2000 *$'000*
Leases expiring within a period		
- not exceeding one year	**2,176**	129
- within two years to five years	**812**	1,113
	2,988	1,242

27. BANKING FACILITIES

As at 30th June, 2001, the Group had aggregate facilities for short-term bank borrowings of approximately $48,593,000 (2000 - $46,988,000), all of which were fully utilised as at the same date. Approximately $1,593,000 (2000 - $46,988,000) of the facilities are secured by pledged bank deposits of the same amount (2000 - $41,021,000), while the remaining balance of the facilities is unsecured. In addition, the Group has agreed to comply with certain restrictive financial covenants imposed by a bank.

28. COMPARATIVE FIGURES

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 are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated income statement and cash flow statement for the year ended 30th June, 2000 were prepared as if the Company had been the holding company of the other companies comprising the Group throughout that year, rather than from the date on which the Reorganisation was completed.

Notice of Annual General Meeting

NOTICE IS HEREBY given that the annual general meeting of the Company will be held at Boardroom 3&4, M/F, Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong on 7th November, 2001 at 10:00 a.m. for the following purposes:-

1. To receive and consider the audited financial statements of the Company and the Reports of the Directors and the Auditors for the year ended 30th June, 2001;

2. To re-elect Directors and to authorise the Board of Directors to fix the remuneration of Directors;

3. To re-appoint Messrs. Arthur Andersen & Co and Charles Chan, Ip & Fung CPA Ltd. as the Company's auditors and to authorise the Board of Directors to fix their remuneration; and

4. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

A. "THAT:

(a) Subject to paragraph (c) below, the exercise by the Directors of the Company during Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers be and is hereby generally and unconditionally approved;

(b) The approval in paragraph (a) above shall be in addition to any other authorisation given to the Directors of the Company and shall authorise the Directors of the Company during the Relevant Period to make or grant offers, agreements and options, including warrants to subscribe for shares, which might require the exercise of such powers after the end of the Relevant Period;

(c) The aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the Directors of the Company pursuant to the approval in paragraph (a) above, otherwise than pursuant to a Rights Issue (as hereinafter defined) or any issue of shares of the Company on the exercise of the subscription rights attaching to any warrants which may be issued by the Company from time to time or the exercise of the options granted under the share option scheme of the Company or an issue of shares in lieu of the whole or part of a dividend on shares in accordance with the articles of association of the Company, shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution, and the said approval shall be limited accordingly; and

(d) For the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution.

"Right Issue" means an offer of shares open for a period fixed by the Directors of the Company to holders of shares whose names appear on the Register of Members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory applicable to the Company)."

B. "THAT:

(a) Subject to paragraph (b) below, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase securities of the Company on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the Securities and Futures Commission and the Stock Exchange for this purpose, subject to and in accordance with all applicable laws and/or the requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange or of any other stock exchange as amended from time to time, be and is hereby generally and unconditionally approved;

(b) The aggregate nominal amount of securities authorised to be repurchased by the Company pursuant to the approval in paragraph (a) above during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this resolution and the said approval shall be limited accordingly; and

(c) For the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by any applicable law or the articles of association of the Company to be held; and

(iii) the passing of an ordinary resolution of the Company in general meeting revoking or varying the authority set out in this resolution."

C. "**THAT** conditional on the passing of the resolutions set out in paragraph 4A and 4B of the notice convening this meeting, the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares pursuant to the resolution set out in paragraph 4A of the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to the resolution set out in paragraph 4B of the notice convening this meeting provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of the said resolution."

By Order of the Board
Wu Shaoning
Chairman

Hong Kong, 28th September, 2001

Notes:

1. Any member entitled to attend and vote at the above meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a member of the Company.

2. To be valid, a form of proxy, together with the power of attorney or other authority, if any, under which it is signed, or a certified copy of that power or authority must be deposited at the Company's principal place of business in Hong Kong at Room 2706, 27th Floor, China Resources Building, 26 Harbour Road, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

3. The Register of Members of the Company will be closed from 5th November, 2001 to 6th November, 2001 (both dates inclusive) during which period no transfer of shares will be registered. In order to ascertain the entitlement to attendance at the above meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Hong Kong Registrars Limited, 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong not later than 4:00 p.m. on 2nd November, 2001 for registration.

4. Concerning resolution 4B above, the explanatory statement containing the information necessary to enable the shareholders to make an informed decision on whether to vote for or against the resolution to approve the repurchase by the Company of its own shares, as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, will be set out in a separate letter from the Company to be enclosed with the annual report 2001.