



The Directors have pleasure in presenting the annual report and the audited accounts of China Agrotech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2002.

## Listing of the Shares on the Main Board

On 14 January 2002, the Company withdrew the listing of its shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and on the same date, the Company's shares were listed on the main board of the Stock Exchange by way of introduction.

## Principal Activities

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

An analysis of the Group's turnover and segment results for the year ended 30 June 2002 is as follows:

	Turnover		Segment results	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Restated)
By business segment:				
Production and sale of plant growth regulators (Manufacturing and selling of plant growth regulatory products)	190,467	163,835	88,461	72,931
Trading of agricultural resources products	158,824	23,326	(8,643)	(1,469)
	<b>349,291</b>	187,161	<b>79,818</b>	71,462

## Results and Appropriations

The results of the Group for the year ended 30 June 2002 are set out in the consolidated profit and loss account on page 25 of this annual report. No geographical analysis of the Group's turnover and segment results is presented as the Group's turnover and segment results are all derived from Mainland China.

The Directors do not recommend the payment of a dividend for the year ended 30 June 2002 and recommend that the retained profit of approximately HK\$122,784,000 as at 30 June 2002 be carried forward.

## Bonus Issue of Shares

On 28 October 2002, the Directors recommended a bonus issue of new shares of HK\$0.10 each in the share capital of the Company (the "Bonus Shares") to shareholders whose names appear on the Company's register of members on 17 December 2002 (the "Proposed Bonus Share Issue").

The Proposed Bonus Share Issue will be made on the basis of three Bonus Shares for every ten existing shares held on 17 December 2002. The Bonus Shares will be credited as fully paid at par (by capitalisation of the relevant part of share premium account of the Company) and will rank pari passu with the existing shares in all respects when issued.



The Proposed Bonus Share Issue is subject to (i) the approval by the Company's shareholders at the forthcoming annual general meeting and (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Bonus Shares on the Stock Exchange.

### Share Capital and Warrants

Details of the movements in the share capital and warrants of the Company are set out in Note 23 to the accounts.

### Reserves and Retained Profit

Details of the movements in the reserves of the Group and of the Company during the year are set out in consolidated statement of changes in shareholders' equity and Note 24 to the accounts.

As at 30 June 2002, the Company's reserve available for distribution to shareholders amounted to approximately HK\$75,534,000 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\$79,581,000 and contributed surplus of approximately HK\$11,527,000, less accumulated losses of approximately HK\$15,574,000, 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.

### Fixed Assets

Details of the movements in fixed assets of the Group during the year are set out in Note 12 to the accounts.

### Subsidiaries

Details of the Company's subsidiaries as at 30 June 2002 are set out in Note 15 to the accounts.

### Pension Schemes

Details of the Group's pension schemes for the year ended 30 June 2002 are set out in Note 9 to the accounts.

### Connected Transactions

During the year ended 30 June 2002, the Group entered into the following transactions with a connected party:

	<i>HK\$'000</i>
Sales of agricultural resources products to 福建錦溪集團有限公司 ("Fujian Jinxi")	1,420

Fujian Jinxi is a 10% shareholder of a subsidiary of the Group.

The independent non-executive Directors of the Company had reviewed the above connected transactions for which the Stock Exchange has granted a waiver from strict compliance with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and confirmed that:

- (a) the transactions have been entered into by the Group in the ordinary and usual course of its business;
- (b) the transactions have been entered into on normal commercial terms or on the terms no less favourable than terms available to or from independent third parties;



- (c) the transactions have been entered into on terms fair and reasonable so far as shareholders of the Company are concerned; and
- (d) the sales of agricultural resources products by the Group to Fujian Jinxi constitute connected transactions and in respect of the waiver granted by the Stock Exchange, the aggregate value of the sales did not exceed RMB7,000,000, being the limit subject to which the Stock Exchange has granted the waiver from strict compliance with the provisions governing connected transactions under the Listing Rules.

Save as disclosed above, there were no transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 4.

## Directors

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

*Executive Directors:*

Mr. Wu Shaoning (Chairman)

Mr. Yang Zhuoya (Managing Director)

Mr. Tung Fai

*Independent Non-executive Directors:*

Ms. He Zhongpei

Mr. Lam Ming Yung

In accordance with Article 87 of the Company's Articles of Association, Mr. Lam Ming Yung will retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

## Directors' Service Agreements

Each of the Executive Directors of the Company has entered into a service agreement with the Company. The respective terms of the service agreements of the Executive Directors of the Company are as follows:

Mr. Wu Shaoning	10 years
Mr. Yang Zhuoya	3 years
Mr. Tung Fai	3 years

In all cases, the service agreements commenced on 15 November 1999, and will continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

Mr. Lam Ming Yung and Ms. He Zhongpei are the Independent Non-executive Directors of the Company. Each of them has entered into a service agreement with the Company for a term of two years commencing on 15 November 1999 and renewed for another two years commencing on 15 November 2001, and shall continue thereafter unless and until terminated by either party giving to the other not less than three months' notice in writing.

Save as disclosed above, none of the Directors of the Company 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.



## Biographical Details of Directors and Senior Management

Biographical details of directors and senior management of the Group are set out on pages 15 and 16.

## Directors' and Chief Executives' Interests in Equity or Debt Securities

As at 30 June 2002, the interests of the Directors and Chief Executives of the Company in the equity and debt securities of the Company or any of its associated corporations as recorded in the register kept by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Name of Company	Name of Director	Personal Interests	Number of Shares		Total
			Family Interests	Corporate Interests	
The Company	Wu Shaoning	140,000,000	—	—	140,000,000
The Company	Tung Fai	28,000,000	—	—	28,000,000

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 30 June 2002.

## Directors' Rights to Acquire Shares or Debentures

The Company adopted a new share option scheme on 31 December 2001 under which the selected participants (as defined in the new share option scheme) including 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 30 June 2002 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 30 June 2002, so far as are known to the Directors, Mr. Wu Shaoning and Mr. Tung Fai (as disclosed in the heading "Directors' and Chief Executives' Interests in Equity or Debt Securities" above) are the only persons recorded in the register kept by the Company under Section 16(1) of the SDI Ordinance as being directly or indirectly interested in 10% or more of the nominal value of the issued share capital of the Company.



## Directors' Interests in Contracts

There were no contracts of significance in relation to the Group's business, 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, subsisted at the end of the year or at any time during the year.

## Share Option Scheme

At the extraordinary general meeting of the Company held on 31 December 2001, an ordinary resolution was passed to adopt a new share option scheme (the "New Scheme") in substitution for and to the exclusion of the share option scheme adopted by the Company on 11 November 1999 (the "Old Scheme").

The New Scheme was adopted for the primary purpose of providing incentives/rewards to selected participants, and will expire on 30 December 2011. Under the New Scheme, the Company may grant options to any participant ("Participant") which includes (i) any employee or proposed employee (whether full time or part time) of the Company, any of its subsidiaries or any entity ("Invested Entity") in which the Group holds an equity interest, including any Executive Director of the Company, any of such subsidiaries or any Invested Entity; (ii) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity; and (vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity, and for the purposes of the New Scheme, the options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of participants, to subscribe for shares of the Company.

The total number of shares in respect of which options may be granted under the New Scheme must not exceed 10% of the shares of the Company in issue as at the adoption date. The total number of shares issued and to be issued upon exercise of the options granted and to be granted to a participant in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

Options granted must be taken up within 21 days from the offer date, upon payment of HK\$1.00 per option. Option may be exercised after it has vested at any time during the period to be notified by the Committee (as defined in the New Scheme) at the time of the grant of the option but shall end in any event not later than 10 years from the offer date, subject to the provisions for early termination of the New Scheme. The Subscription Price shall be determined by the Committee (as defined in the New Scheme) and notified to a Participant and shall not be less than the higher of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the Offer Date, which must be a Business Day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the Offer Date; and (c) the nominal value of the shares.

During the year, no option was granted by the Company under the Old Scheme and the New Scheme.



## Major Suppliers and Customers

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	22%
- five largest suppliers combined	44%
Sales	
- the largest customer	13%
- five largest customers combined	18%

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.

## Competing Interests

None of the Directors has an interest in a business which competes or may compete with the business of the Group.

## Purchase, Sale or Redemption of the Company's Listed Securities

The Company did not redeem any of its listed securities during the year ended 30 June 2002. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

## 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.

## Code of Best Practice

The Company has complied with the Code of Best Practice as set out in Appendix 14 to the Listing Rules throughout the year ended 30 June 2002.

## Audit Committee

The Audit Committee comprises Ms. He Zhongpei and Mr. Lam Ming Yung, the two Independent Non-executive Directors of the Company. The audit committee has reviewed with the Company's management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the audited accounts.

## Subsequent Events

Details of the significant events subsequent to the balance sheet date as of 30 June 2002 are set out in Note 27 to the accounts.



## Auditors

Arthur Andersen & Co acted as one of the joint auditors of the Company for the years ended 30 June 1999, 2000 and 2001. Following the combining of the practice of Arthur Andersen & Co with PricewaterhouseCoopers, Arthur Andersen & Co resigned as one of the joint auditors of the Company and the Company's shareholders appointed PricewaterhouseCoopers as one of the joint auditors to fill the casual vacancy at an extraordinary general meeting.

The accounts have been audited by PricewaterhouseCoopers and Charles Chan, Ip & Fung CPA Ltd., the joint auditors of the Company, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

**Wu Shaoning**

*Chairman*

Hong Kong, 28 October 2002