



Chairman's Statement

I am pleased to present to the shareholders the annual results of China Agrotech Holdings Limited (“China Agrotech” or the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 30 June 2006.

Turnover and Profits

For the year ended 30 June 2006, the consolidated turnover of the Group was approximately HK\$2,286,255,000 (2005: HK\$1,640,708,000), representing a growth of approximately 39%; and net profit attributable to equity holders of the Company was approximately HK\$61,627,000 (2005: HK\$21,511,000), representing a growth of approximately 186%.

Business Review

During the year under review, driven by the hard working of all our staff, sales of China Agrotech for the year again reached a record high of HK\$2.29 billion, the results of all segments recording satisfactory growth. After three years of exploring and three years of transformation since 1999 for the Group, China Agrotech ultimately established itself as a leading distributor and retailer in the agricultural resources industry in the PRC.

Precise corporate operation approach and strategy adjustments as well as its outstanding corporate operational capability are the keys to China Agrotech's success. During the financial year under review, the Group's agricultural resources circulation (distribution and retail) business achieved further growth. Market coverage and penetration both recorded remarkable growth and the Group's brand name has also been strengthened. Moreover, the Group continued to adjust its strategies in respect of product manufacturing and marketing according to the changes in policies regarding the agriculture industry from time to time, coupled with the rapid development in the circulation segment, manufacturing business recorded remarkable growth in the year. Given the support of the Group's circulation network, it is expected that the manufacturing segment will continue to achieve growth together with the agricultural resources circulation business.

In respect of the agricultural resources circulation business, the Group maintained its continuing business expansion and growth in turnover through the implementation of selective acquisition strategy and strengthening of market position by securing more exclusive products distribution rights from large manufacturers. In terms of geographical location, mergers and acquisitions for the year were mainly in Jiangsu, Hunan and Shandong Provinces. The turnover of trading business increased by 35% to approximately HK\$1,585,803,000 for the current financial year. However, the gross profit margin of the agricultural resources trading business was only approximately 4.5%, nevertheless, under the efforts committed by the Group and the realisation of economies of scale, the circulation (trading) business achieved an increase of approximately 278% in operating profits to approximately HK\$17,533,000 in the current year. The Group believes the value-added and synergies created by the brandname of the Group's own agricultural resources products and the provision of plant protection technical services and the support of its self-developed computer system (which comprises a supply-chain management system, a centralised finance system and a cash flow management platform) will facilitate a more strengthened and mature circulation business and is expected to bring remarkable profit to the Group in the near future.

Facing challenges and opportunities presented by the WTO, China Agrotech commenced its international trading business in mid 2004, and products exported were mainly non-agricultural resources products. Currently, trading relationship has been established with a number of countries. During the year under review, the product sales realised an total amount of approximately HK\$478,035,000, representing a growth of approximately 34%, establishing a solid foundation for China Agrotech's agricultural resources business to enter the international market in the future.



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Corporate Strategies and Prospects

As a modern agricultural resources enterprise committed to achieving triple win in terms of production, circulation and agricultural producer, China Agrotech has established itself as a leading major agricultural resource chain group in the agricultural resources industry by integrating upstream quality product resources, core end-user network and excellent industry management and technical professionals.

With circulation as its core, China Agrotech focuses on the fertilisers and pesticides end-user markets, and will continue to centralise purchases so as to obtain more market competitive pricing from the suppliers. It will also implement scientific logistics and capital management, enhance customers' recognition of the Group's brandname and improve its brandname awareness, as well as establish alliances with upstream reputable production enterprises to lower operating costs and enhance its sales network. Together with the added values and complement to the Group's core circulation business from products of its own brandname and plant protection services, China Agrotech will be able to leverage on its leading edges in terms of its own brand name, capital and management to maximise value of its resources, translating into the unique core competitiveness of China Agrotech.

Looking back into the past, China Agrotech has established a distinctive leading position in the PRC agricultural resources industry, leading China Agrotech onto the way to continued expansion and progress. China Agrotech's networks in Shandong, Hunan and Jiangsu Provinces and the development of international trading are the crucial elements for the expansion of its industry chain, as well as epitome of the business growth of China Agrotech. In the coming year, China Agrotech will generate hope, vitality and energy for the PRC agricultural resources chain industry.

Appreciation

I would like to take this opportunity to express my gratitude to all members of the Board, the senior management and all staff for their dedication and efforts over the years. In addition, on behalf of the Board, I would also like to express our most sincere thanks to all of our customers, suppliers, scientific research units and business partners for their continuous support.

Wu Shaoning

Chairman

Hong Kong, 24 October 2006