



China Agrotech Holdings Limited

浩倫農業科技集團有限公司

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

**THIRD QUARTER REPORT**

**2000**

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*This quarterly results report, for which the directors of China Agrotech Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to China Agrotech Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— 1. the information contained in this quarterly results report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this quarterly results report misleading; and 3. all opinions expressed in this quarterly results report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## INTERIM RESULTS HIGHLIGHTS

China Agrotech Holdings Limited prides itself in its mission to apply advanced technology to assist in improving the quality of the PRC's agricultural produce and thus higher productivity and efficiency can be achieved. The Company is currently the ONLY producer of regulatory-type plant growth regulator ("PGR") in the PRC with substantial potential for development and impressive growth in sales and profit in the past few years. The Company has achieved a turnover of approximately HK\$48,667,000 for the nine months ended 31st March, 2000, with profit attributable to shareholders of approximately HK\$19,408,000, an exponential increase of 211% and 317% as compared to the same period of the previous financial year. Looking ahead, the Company will continue its efforts in technological research and development of PGR in order to achieve better results in the future.

## QUARTERLY RESULTS (UNAUDITED)

The Directors are pleased to announce that the unaudited consolidated results of China Agrotech Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the three months and nine months ended 31st March, 2000, together with comparative figures for the corresponding periods in 1999, as follows:

	Notes	For the three months ended 31st March,		For the nine months ended 31st March,	
		2000 HK\$'000	1999 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	a	17,832	3,989	48,667	15,639
Cost of sales		(3,886)	(1,218)	(10,649)	(4,470)
Gross profit		13,946	2,771	38,018	11,169
Selling, general and administrative expenses		(4,953)	(1,020)	(14,791)	(3,610)
Interest income (expenses), net		(261)	—	83	—
Profit before taxation		8,732	1,751	23,310	7,559
Taxation	b	(230)	(131)	(696)	(131)
Profit after taxation but before minority interests		8,502	1,620	22,614	7,428
Minority interests		(1,058)	(605)	(3,206)	(2,774)
Profit attributable to shareholders		<u>7,444</u>	<u>1,015</u>	<u>19,408</u>	<u>4,654</u>
Earnings per share	c				
— Basic		<u>2.98 cents</u>	<u>0.58 cents</u>	<u>9.25 cents</u>	<u>2.66 cents</u>

Notes:

- a. Turnover comprised the net invoiced value (excluding value-added tax) of merchandise sold after allowances for returns and discounts.
- b. The Company is exempted from taxation in the Cayman Islands until 2019. No provision for Hong Kong profits tax was made as the Group had no assessable profit in Hong Kong. Taxation represents Mainland China Enterprise Income Tax provided by a subsidiary at a rate of 7.5% per annum.
- c. Earnings per share

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

The calculations of earnings per share for the three months and nine months ended 31st March, 1999 were based on the unaudited combined profit attributable to shareholders of approximately HK\$1,015,000 for the three months ended 31st March, 1999 and HK\$4,654,000 for the nine months ended 31st March, 1999 and on the 175,000,000 shares in issue and issuable pursuant to a capitalisation issue in connection with the Company's share offering in November 1999. % Diluted earnings per share was not presented because there were no dilutive potential ordinary shares in existence during the periods.

- d. Comparative figures

The Company became the holding company of the other companies comprising the Group on 11th November, 1999. The Group's consolidated results for the three and nine months ended 31st March, 1999 have been prepared on the basis of merger accounting as if the Company had been the holding company of the other companies comprising the Group throughout the three and nine months ended 31st March, 1999.

## **INTERIM DIVIDEND**

The Directors do not recommend the payment of interim dividend for the nine months ended 31st March, 2000.

## **BUSINESS REVIEW AND OUTLOOK**

The Directors are pleased to announce the Group's third quarter results for the year 1999/2000. For the nine months ended 31st March, 2000, the Company recorded a turnover of approximately HK\$48,667,000, representing a 211% increase as compared to the same period in the previous financial year, of which PGR for vegetables accounted for approximately 44.2% and PGR for fruits accounted for approximately 55.8%. As the Group is the only manufacturer of regulatory-type PGR in the PRC, the Group has been enjoying high gross profit margin which increased to approximately 78% from approximately 71% for the same period in the previous financial year.

The Group has been actively establishing its sales network to promote the popularity of its products in the PRC market. At the same time, the Group has also managed to effectively monitor and control the production costs, which contributed to the improvement of its gross profit margin.

The Group has been communicating and exchanging ideas with its industry counterparts, as an important factor in raising the popularity of its products and thus expanding its market share.

As stated in its prospectus dated 16th November, 1999, the Group is expected to augment its production capacity to 1,680 tonnes by June 2000, with 250 tonnes for PGR for vegetables, 390 tonnes for PGR for fruits, 100 tonnes for PGR for tobacco, and 200 tonnes for PGR for rice, respectively.

Cooperation between the Group and the Crop Biochemical Control Research Centre of the China Agricultural University and other scientific research organizations have been progressive. Researches of PGRs for rice and tobacco have been completed, and expected to start production from early May, 2000.

In addition, the production plant which the Group was constructing earlier in the Huian Economic Development Zone in the Fujian province has been completed in April, 2000. At the same time, four new production lines (one for the production of PGR for fruits, one for the production of PGR for tobacco, and two for the production of PGR for rice) have completed installations at end of April, 2000, and will start commercial production from early May.

In line with the production launch of the four production lines, the Group is actively recruiting and training staff for the sales and production departments so as to cope with the production increment.

In terms of research and development for new products, the studies for PGRs for corn, oil seeds, fungi and flowers have been carried out smoothly.

The Group is optimistic of its future prospects, in achieving its objective to remain a market leader in the PRC's PGR industry. With the success of PGRs for vegetables and fruits, the Group is also confident in diversifying its product base by developing new specific-purpose PGRs.

## DIRECTORS' INTERESTS

As at 31st March, 2000, the interests of the Directors in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance")) as recorded in the register required to be kept by the Company under section 29 of the SDI Ordinance were as follows:

### China Agrotech Holdings Limited

Name of director	Number of Shares				Total	Percentage of interests
	Personal interests	Family interests	Corporate interests	Other interests		
Wu Shaoning	140,000,000	Nil	Nil	Nil	140,000,000	56%
Tung Fai	28,000,000	Nil	Nil	Nil	28,000,000	11.2%

The Company did not grant any right to subscribe for equity or debt securities of the Company to any director or chief executive of the Company or to the spouse or children under 18 years of age of any such director or chief executive as at 31st March, 2000.

## **SUBSTANTIAL SHAREHOLDERS**

As at 31st March, 2000, except the two directors, who were also the management shareholders, of the Company as disclosed in the Directors' Interests section of this announcement, no person was beneficially interested in 10% or more of the nominal value of the issued share capital of the Company as recorded in the register required to be kept under Section 16(1) of the SDI Ordinance.

Save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st March, 2000.

## **SPONSOR'S INTERESTS**

As updated and notified by ICEA Capital Limited, the Sponsor, as at 31st March, 2000:—

1. neither the Sponsor nor its associates have any interest in any class of securities of the Company or any other company in the Company's group including options or rights to subscribe such securities;
2. no director or employee of the Sponsor who is involved in providing advice to the Company has any interest in any class of securities of the Company or any other company in the Company's group, including options or rights to subscribe such securities;
3. neither the Sponsor nor its associates have accrued any material benefit as a result of any transaction, including by way of example, the repayment of material outstanding indebtedness and payment of any underwriting commissions or success fees; and
4. no director or employee of the Sponsor has a directorship in the Company, or any other company in the Company's group.

## **PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**Wu Shaoning**  
*Chairman*

Hong Kong, 10th May, 2000