



CHINA AGROTECH HOLDINGS LIMITED

浩倫農業科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1073)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2007

FINAL RESULTS

The Directors are pleased to announce the audited consolidated final results of China Agrotech Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year ended 30 June 2007, together with the comparative figures for the corresponding period in 2006 as follows:

Consolidated Income Statement

		For the year ended 30 June	
	Note	2007 HK\$'000	2006 HK\$'000 (restated)
Turnover	2	2,552,044	2,286,255
Cost of sales		(2,317,068)	(2,122,132)
Gross profit		234,976	164,123
Valuation gains on investment property		5,064	818
Other revenue		24,682	18,596
Distribution costs		(74,231)	(37,618)
Administrative expenses		(73,261)	(61,703)
Profit from operations		117,230	84,216
Finance costs		(31,513)	(17,490)
Profit before taxation	3	85,717	66,726
Income tax	4	(8,839)	(6,048)
Profit for the year		76,878	60,678
Attributable to			
– Equity holders of the Company		80,592	61,627
– Minority interests		(3,714)	(949)
Profit for the year		76,878	60,678
Dividends payable to equity holders of the Company			
– Final dividend proposed after the balance sheet date	5	12,734	–
Earnings per share	6		
– Basic		HK17.66 cents	HK14.62 cents
– Diluted		HK17.14 cents	HK14.57 cents

* For identification purposes only

Consolidated Balance Sheet

	At 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i> (restated)
NON CURRENT ASSETS		
Property, plant and equipment	39,884	40,865
Investment property	32,496	25,834
Lease premiums for land	9,376	12,830
Intangible assets	61,844	70,094
Goodwill	84,580	79,653
	<u>228,180</u>	<u>229,276</u>
CURRENT ASSETS		
Trading securities	–	631
Inventories	188,875	172,729
Lease premiums for land	287	340
Trade and other receivables	7 1,313,343	679,548
Cash and cash equivalents	377,634	355,654
	<u>1,880,139</u>	<u>1,208,902</u>
Total current assets		
CURRENT LIABILITIES		
Trade and other payables	8 (1,241,496)	(802,613)
Secured bank loans	(287,219)	(200,559)
Provision for taxation	(17,213)	(9,960)
	<u>(1,545,928)</u>	<u>(1,013,132)</u>
Total current liabilities		
Net current assets	<u>334,211</u>	<u>195,770</u>
Total assets less current liabilities	<u>562,391</u>	<u>425,046</u>
Non-current liabilities		
Secured bank loans	–	(971)
NET ASSETS	<u>562,391</u>	<u>424,075</u>

	At 30 June	
	2007	2006
	<i>HK\$'000</i>	<i>HK\$'000</i>
CAPITAL AND RESERVES		
Share capital	48,977	42,157
Reserves	506,990	375,605
	<hr/>	<hr/>
Total equity attributable to equity holders of the Company	555,967	417,762
Minority interests	6,424	6,313
	<hr/>	<hr/>
TOTAL EQUITY	562,391	424,075
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Notes:

1. Statement of compliance and basis of preparation of the financial statements

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is included in the annual report to be sent to the shareholders of the Company.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adopted for the accounting period of the Group and the Company. The adoption of these new and revised HKFRSs did not result in significant change to the Group’s accounting policies applied on these financial statements for the current and prior year presented. The Group has not applied any new and revised standard or interpretation that is not yet effective for the current accounting year.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that certain assets and liabilities are stated at their fair values as explained in the accounting policies.

2. Turnover and segment information

The Group is principally engaged in (i) the trading of pesticides, fertilisers and other agricultural products (“trading operation”); (ii) the manufacturing and selling of plant growth regulatory products (“PGR”), pesticides and fertilizers (“manufacturing operation”); (iii) the provision of plant protection technical services (“consultancy operation”); and (iv) trading of non-agricultural resources products (“non-agricultural resources trading operation”) in Mainland China.

Turnover represents the net invoiced value of goods sold, after deduction of goods returns and trade discounts; and fee income from services rendered.

An analysis of turnover and segment results by business segment of the Group is as follows:

(i) Year ended 30 June 2007

	Trading operation HK\$'000	Manufacturing operation HK\$'000	Consultancy operation HK\$'000	Non-agricultural resources trading operation HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
Revenue from external customers	1,876,988	159,580	36,579	478,897		2,552,044
Inter-segment revenue	31,985	87,727	3,871	1,535	(125,118)	–
	<u>1,908,973</u>	<u>247,307</u>	<u>40,450</u>	<u>480,432</u>	(125,118)	<u>2,552,044</u>
Segment results	<u>15,932</u>	<u>41,719</u>	<u>27,055</u>	<u>14,414</u>		<u>99,120</u>
Interest income						20,710
Unallocated corporate operating income						5,064
Unallocated corporate operating expenses						(7,664)
Finance costs						(31,513)
Taxation						(8,839)
Profit for the year						<u>76,878</u>

(ii) Year ended 30 June 2006 (restated)

	Trading operation HK\$'000	Manufacturing operation HK\$'000	Consultancy operation HK\$'000	Non-agricultural resources trading operation HK\$'000	Elimination HK\$'000	Group HK\$'000
Turnover						
Revenue from external customers	1,585,803	204,649	17,768	478,035		2,286,255
Inter-segment revenue	15,080	18,916	3,707	12,191	(49,894)	–
	<u>1,600,883</u>	<u>223,565</u>	<u>21,475</u>	<u>490,226</u>	(49,894)	<u>2,286,255</u>
Segment results	<u>16,715</u>	<u>41,584</u>	<u>14,118</u>	<u>6,239</u>		<u>78,656</u>
Interest income						12,184
Unallocated corporate operating income						818
Unallocated corporate operating expenses						(7,442)
Finance costs						(17,490)
Taxation						(6,048)
Profit for the year						<u>60,678</u>

The Group's operations are primarily located in Mainland China and all of the Group's turnover is attributable to business conducted in Mainland China. Consequently, no geographical segment analysis is presented.

3. Profit before taxation

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

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
After charging:		
Finance costs		
– interest on bank advances and other borrowings wholly repayable within five years	31,513	17,490
Impairment losses		
– trade receivables	6,026	–
– goodwill	–	3,330
Amortisation of intangible assets	29,122	26,607
Depreciation of property, plant and equipment	8,920	10,160
Net foreign exchange loss	569	1,174
Staff costs, including directors' emoluments	22,813	20,607
Operating leases charges: minimum lease payments		
– land and buildings	3,140	2,823
– other property, plant and equipment	–	187
Amortisation of lease premiums for land	203	539
After crediting:		
Interest income	20,710	12,184

4. Income tax

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Current Tax – The PRC		
– Provision for the PRC income tax for the year	8,702	5,865
– Under-provision in respect of prior years	137	183
	8,839	6,048

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

Mainland China Enterprise Income Tax represents tax charges on the estimated assessable profits of the Mainland China Subsidiaries of the Group. Domestic enterprises of Mainland China are subject to income tax rates ranging from 18% to 33%. Productive foreign investment enterprises established in the special economic zones of Fujian, Mainland China, are subject to preferential Enterprise Income Tax rates ranging from 15% to 30%.

No provision for Hong Kong profits tax has been made as there are no assessable profit (2006: Nil) for the subsidiaries operating in Hong Kong during the year.

5. Dividend

The Board has recommended the payment of a final dividend of HK2.6 cents per share (approximately RMB2.5 cents per share) for the year ended 30 June 2007 (2006: Nil), subject to members' approval at the forthcoming annual general meeting to be held on 7 December 2007, to the members whose names appear on the Register of Members of the Company on 7 December 2007 and payable on or before 10 January 2008.

6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$80,592,000 (2006: HK\$61,627,000) and on the weighted average number of approximately 456,296,000 shares (2006: 421,565,000 shares) in issue during the year.

The calculation of diluted earnings per share for the year ended 30 June 2007 is based on the consolidated profit attributable to equity holders of the Company of approximately HK\$80,592,000 (2006: HK\$61,627,000) and on the weighted average number of approximately 470,160,000 shares (2006: 423,035,000 shares) in issue, after adjusting for the effect of all dilutive potential shares under the Company's share option scheme. The effect of the dilutive potential shares resulting from the exercise of the outstanding options on the average number of shares in issue during the year ended 30 June 2007 was approximately 13,864,000 shares (2006: 1,470,000 shares), which were deemed to have been issued at no consideration as if all the outstanding options had been exercised on the date when the options were becoming exercisable.

7. Trade and other receivables

Included in trade and other receivables are trade debtors and bills receivables (net of impairment losses for bad and doubtful debts of HK\$9,363,000 (2006: HK\$3,337,000) with the following ageing analysis as of the balance sheet date:

	The Group	
	At 30 June	
	2007	2006
	HK\$'000	HK\$'000
Within 1 month	201,214	104,501
Within 1 to 2 months	77,659	53,276
Within 2 to 3 months	27,192	20,911
Within 3 to 6 months	11,218	20,973
Over 6 months	19,865	18,702
	337,148	218,363

The Group allows a credit period normally ranging from 90 days to 180 days to its trade customers. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness, extend the credit period upon customers' request.

8. Trade and other payables

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the balance sheet date:

	The Group	
	At 30 June	
	2007	2006
	HK\$'000	HK\$'000
Within 1 month or on demand	332,043	126,160
After 1 month but within 2 months	115,324	169,672
After 2 months but within 3 months	132,328	94,067
After 3 months but within 6 months	220,997	266,231
After 6 months	21,089	18,332
	821,781	674,462

9. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

OVERALL RESULTS

For the year ended 30 June 2007, the Group's consolidated turnover was approximately HK\$2,552,044,000 (2006: HK\$2,286,255,000) and net profit attributable to equity holders of the Company was approximately HK\$80,592,000 (2006: HK\$61,627,000), representing a growth of about 12% and 31% respectively as compared to those of the last financial year.

The Group's business can be divided into two categories, namely agricultural resources operation and trading of non-agricultural resources products. Agricultural resources operation includes manufacturing and selling, purchase and distribution of agricultural resources products, as well as the provision of plant protection and consulting services for the related products.

The turnover of the agricultural resources operation and trading of non-agricultural resources products is analysed by product segments as follows:

	2007	Percentage of the total turnover	2006	Percentage of the total turnover
	Turnover HK\$'000		Turnover HK\$'000	
Agricultural resources operation				
nitrogenous fertiliser	796,957	31%	571,440	25%
phosphorous fertiliser	175,274	7%	153,244	7%
potash fertiliser	142,244	6%	72,804	3%
compound fertiliser	467,938	18%	510,554	22%
pesticides	490,734	19%	500,178	22%
Agricultural resources products (subtotal)	2,073,147	81%	1,808,220	79%
Trading of non-agricultural resources products	478,897	19%	478,035	21%
Total	<u>2,552,044</u>	<u>100%</u>	<u>2,286,255</u>	<u>100%</u>

Aggregate sales volume of fertilisers, including nitrogenous fertiliser, phosphorous fertiliser, potash fertiliser and compound fertiliser, increased by around 14% from approximately 850,000 million tonnes in the previous year to approximately 970,000 million tonnes this year. The turnover for this year was approximately HK\$1.582 billion, representing a growth of 21% compared to approximately HK\$1.308 billion in the previous year.

For pesticides, turnover dropped approximately 2% from HK\$500 million last year to approximately HK\$491 million this year.

Turnover for non-agricultural resources product trading remained at approximately HK\$480 million, which was similar to the previous year.

Gross profit for the year amounted to approximately HK\$235 million and net profit attributable to shareholders of the Company was approximately HK\$80.59 million, representing a growth of approximately 43% and 31% respectively as compared to the previous year. Gross profit margin in general increased from approximately 7.2% in the previous year to approximately 9.2% this year. The overall improvement of gross profit margin was attributable to the implementation of centralized purchase and distribution strategy, which resulted in lowering of operating costs.

Agricultural Resources Operation

(1) Nitrogenous fertiliser

Nitrogenous fertiliser is the principal product of the Group in terms of both sales and turnover. Although there was excess supply in the market due to the large production capacity of nitrogenous fertiliser in the PRC, the Group's nitrogenous fertiliser operation managed to grow continuously and its gross profit margin was maintained at approximately 3.5%. It was due to the Group's good and trusting relationship with both upstream and downstream companies developed over the years, efforts in leveraging on its capital advantage to build up strategic alliances with reputable upstream suppliers, strengthening of supply chain management, adoption of centralized purchase and distribution strategy, as well as expanding distribution network. In addition, the Group attracted new customer from the industrial sector so that sales volume of nitrogenous fertiliser operation reached approximately 510,000 tonnes (2006: 370,000 tonnes). Turnover increased by 39% to HK\$797 million, accounting for 38% and 31% of the agricultural resources products segment and the Group's consolidated turnover respectively.

(2) Phosphorous fertiliser

Although the gradual increase in the production capacity of phosphorous fertiliser in the PRC has basically met the market demand, the supply of phosphorous is becoming scarce, the Group leveraged on the advantage of having its own phosphorous fertiliser plant and adjusted the product mix of phosphorous fertiliser by increasing the production of high density phosphorous fertiliser and decreasing that of low density phosphorous fertiliser. As a result, although the sales volume of phosphorous fertiliser decreased to approximately 170,000 tonnes (2006: 190,000 tonnes), turnover increased by 14% to HK\$175 million and the gross profit margin increased from 7.1% to 10.0%.

(3) Potash fertiliser

Being a scarce resource, 70% of potash fertiliser in the PRC is imported. During the year, the Group leveraged on the advantages of central purchase and its own network to expand the operation of potash fertiliser, especially those from Russia. Therefore sales volume and turnover of potash fertiliser dramatically increased by 77% and 95% to 70,000 tonnes and HK\$142 million respectively. Gross profit margin was approximately 4.3%.

(4) *Compound fertiliser*

The Group provides specific compound fertiliser for different crops through its own production or procurement. During the year, the Group adjusted the product mix of compound fertiliser products in order to counter the fierce competition in the market. Sales volume decreased from approximately 250,000 tonnes last year to approximately 220,000 tonnes this year. Turnover decreased by approximately 8% to approximately HK\$468 million. Gross profit margin slightly increased to approximately 8.4%.

(5) *Pesticides*

For pesticides, the Group has a large variety of high-value-added pesticide products which are developed with different research institutes. Those pesticide products are either manufactured by the Group's own factories or purchased from suppliers and distributed in the market. Turnover for the year remained at approximately HK\$500 million. Thanks to the Group's successful adjustment of product mix structure and marketing strategy, the average gross profit margin of pesticides increased from approximately 15% last year to approximately 19% this year.

Trading of non-Agricultural Resources Products

For non-agricultural resources trading, in view of the inflation of Renminbi, Group reduced export trading to minimize foreign exchange risk while kept on increasing bulk import trading of products of resources nature, hence turnover remained at approximately HK\$480 million. Leveraging on its ample capital and established sale channels, the Group managed to significantly increase its gross profit margin to approximately 10.9% (2006: 2.9%).

LIQUIDITY AND FINANCIAL RESOURCES

Financial resources

The Group generally finances its operations with internally generated cashflow and bank facilities for its capital expenditures and other capital requirements.

As at 30 June 2007, the cash and bank balances and restricted bank deposits of approximately HK\$377,634,000 included approximately HK\$8,167,000 which was denominated in Hong Kong dollars, approximately HK\$368,735,000 which was denominated in Renminbi, and approximately HK\$732,000 which was denominated in US dollars.

With respect to foreign exchange exposure, as the Group's earnings and borrowings are primarily denominated in Renminbi and that the exchange rate between Renminbi and Hong Kong dollar/US dollar was steady during the year under review, it has no significant exposure to foreign exchange rate fluctuations. During the year under review, the Group had not used any financial instruments for hedging purposes.

Borrowings and banking facilities

As at 30 June 2007, the Group had bank borrowings of approximately HK\$287.2 million (denominated in Renminbi) which bore interest at rates ranging from 5.22% to 9.86% per annum, of which approximately HK\$15.8 million, HK\$13.4 million, HK\$30.9 million, HK\$178.3 million, HK\$48.5 million and HK\$0.3 million were secured by certain inventories, plant and machinery and investment property of the Group, properties of certain minority shareholders, pledged bank deposits of the Group plus guarantee provided by a subsidiary/director, corporate guarantee provided by certain subsidiaries, personal guarantee provided by a director, as well as guarantee provided by a third party, respectively.

As at 30 June 2007, the Group had bills payable of approximately HK\$601 million which was denominated in Renminbi and the entire amount was secured by pledged bank deposits of approximately HK\$180 million which was also denominated in Renminbi.

As at 30 June 2007, the Group maintained a gearing ratio of approximately 52%. This is based on the division of bank borrowings by total equity attributable to equity holders of the Company as at 30 June 2007. The Directors considered that the gearing ratio as at 30 June 2007 was healthy, taking into account of the nature and scale of operations of the Group.

Commitments

As at 30 June 2007, the Group had no significant outstanding contracted capital and other commitments. As at 30 June 2007, the Group had operating lease commitments of approximately HK\$4,547,000.

Contingent liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Remuneration Policies and Share Option Scheme

The Group incurred total salaries and other remunerations of approximately HK\$23 million with an average number of about 1,200 staff during the year ended 30 June 2007.

Remuneration packages comprised salary, mandatory provident fund and year-end bonus based on individual merits. A share option scheme (the "Scheme") was adopted by the Company pursuant to a resolution passed at the extraordinary general meeting of the Company held on 31 December 2001. The Scheme limit was refreshed pursuant to a resolution passed at the extraordinary general meeting of the Company held on 1 March 2006. During the year ended 30 June 2007, no option in respect of shares of the Company was granted to the relevant participants under the Scheme (2006: options in respect of 56,500,000 shares of the Company were granted).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Tuesday, 4 December 2007 to Friday, 7 December 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all completed transfer forms together with the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, namely, Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Monday, 3 December 2007.

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 2007. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the year.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("CG Code") for the year ended 30 June 2007, except for the following major deviations:

1. Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, the roles of Chairman and Chief Executive Officer of the Company have been performed by Mr. Wu Shaoning. This constitutes a deviation from code provision A.2.1 of the CG Code. As continuation is a key factor to the successful implementation of business plans, the Board believes that the roles of Chairman and Chief Executive Officer performed by Mr. Wu Shaoning provide the Group with strong and consistent leadership and are beneficial to the Group especially in planning and execution of business strategies. The Board also believes that the present arrangement is beneficial to the Company and the shareholders as a whole.
2. Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. All independent non-executive directors of the Company are appointed for a specific term except for Mr. Lam Ming Yung who was not appointed for any specific term but subject to retirement by rotation once every three years in accordance with the Company's Articles of Association.

AUDIT COMMITTEE

The audit committee comprises three 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 unaudited interim accounts and the audited annual accounts of the Company during the year.

REMUNERATION COMMITTEE

The Board of the Company has established a remuneration committee. The remuneration committee, currently comprising independent non-executive directors namely, Mr. Wong Chi Wai and Mr. Zhang Shaosheng and executive director namely, Mr. Wu Shaoning, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management, as well as review and determine the remuneration packages of directors and senior management with reference to the Company's objectives from time to time.

GENERAL

The Board as of the date of this announcement comprises Mr. Wu Shaoning and Mr. Yang Zhuoya, who are the executive directors of the Company, and Mr. Lam Ming Yung, Mr. Zhang Shaosheng and Mr. Wong Chi Wai, who are the independent non-executive directors of the Company.

On behalf of the Board

Wu Shaoning
Chairman

Hong Kong, 25 October 2007