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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: 01073)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER, 2011

The board of directors (the “Board”) of China Agrotech Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 31 December, 2011 together with the comparative figures for the corresponding period in 2010 as set out below. This interim results announcement has been reviewed by the Company’s audit committee.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended	
		31 December,	
		2011	2010
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	2,220,242	1,850,621
Cost of sales		<u>(2,082,593)</u>	<u>(1,734,621)</u>
Gross profit		137,649	116,000
Other revenue and other net income		39,258	19,775
Gain from compensation of shortfall of guaranteed profit arising from an acquisition		120,000	—
Gain from bargain purchases on acquisition of subsidiaries		—	216,511
Gain from change in fair value of derivative financial liabilities		21,567	—
Loss arising from change in fair value less costs to sell of biological assets		(10,277)	—
Distribution costs		(34,468)	(28,265)
Administrative expenses		<u>(54,993)</u>	<u>(49,236)</u>
Profit from operations		218,736	274,785
Finance costs		<u>(79,244)</u>	<u>(28,754)</u>
Profit before taxation	3	139,492	246,031
Income tax	4	<u>(5,222)</u>	<u>(4,758)</u>
Profit for the period		<u>134,270</u>	<u>241,273</u>
Attributable to:			
— Owners of the Company		133,850	239,316
— Non-controlling interests		<u>420</u>	<u>1,957</u>
Profit for the period		<u>134,270</u>	<u>241,273</u>
Earnings per share	5		
— Basic		<u>HK16.88 cents</u>	<u>HK36.77 cents</u>
— Diluted		<u>HK16.88 cents</u>	<u>HK36.51 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Six months ended	
	31 December,	
	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	134,270	241,273
Other comprehensive income for the period		
Exchange differences on translation of financial statements of subsidiaries in the PRC	50,570	54,134
Reclassification adjustment for exchange difference relating to disposal of subsidiaries in the PRC	187	—
	<u>50,757</u>	<u>54,134</u>
Income tax relating to components of other comprehensive income	<u>—</u>	<u>—</u>
Other comprehensive income for the period, net of tax	<u>50,757</u>	<u>54,134</u>
Total comprehensive income for the period	<u>185,027</u>	<u>295,407</u>
Attributable to:		
Owners of the Company	184,603	293,450
Non-controlling interests	424	1,957
	<u>185,027</u>	<u>295,407</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December, 2011 (Unaudited) <i>HK\$'000</i>	At 30 June, 2011 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
Non-current assets			
Property, plant and equipment		139,865	135,662
Lease premiums for land		11,609	11,476
Biological assets		921,989	883,536
Intangible assets		65,298	68,481
Goodwill		100,781	98,330
Available-for-sale financial assets		38,304	27,348
Other deposit		14,808	14,447
		1,292,654	1,239,280
Current assets			
Lease premiums for land		279	272
Inventories		152,304	100,520
Trade and other receivables	6	2,799,164	2,855,266
Trading securities		2,399	4,147
Restricted bank deposits		593,114	609,787
Cash and cash equivalents		118,834	178,514
		3,666,094	3,748,506
Current liabilities			
Trade and other payables	7	(1,609,064)	(2,004,660)
Bank loans		(891,389)	(674,977)
Tax payable		(52,920)	(51,379)
Derivative financial liabilities		(23,015)	(50,462)
Convertible bonds		—	(30,623)
Promissory notes		(187,721)	—
		(2,764,109)	(2,812,101)
Net current assets		901,985	936,405
Total assets less current liabilities		2,194,639	2,175,685

	At 31 December, 2011 (Unaudited) <i>HK\$'000</i>	At 30 June, 2011 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Bank loans	(14,807)	(14,447)
Convertible bonds	(533,228)	(544,244)
Deferred tax liabilities	(13,333)	(13,702)
Promissory notes	—	(182,016)
	<u>(561,368)</u>	<u>(754,409)</u>
NET ASSETS	<u>1,633,271</u>	<u>1,421,276</u>
CAPITAL AND RESERVES		
Share capital	84,777	77,977
Share premium and reserves	1,536,056	1,320,078
	<u>1,620,833</u>	<u>1,398,055</u>
Total equity attributable to owners of the Company	1,620,833	1,398,055
Non-controlling interests	12,438	23,221
	<u>1,633,271</u>	<u>1,421,276</u>
TOTAL EQUITY	<u>1,633,271</u>	<u>1,421,276</u>

Note:

1. BASIS OF PRESENTATION AND PRINCIPAL ACCOUNTING POLICIES

The interim accounts are prepared in accordance with Hong Kong Accounting Standard 34 (HKAS 34) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (as applicable to condensed interim accounts) and Appendix 16 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The principal accounting policies used in the preparation of these condensed interim accounts are consistent with those used in the Group’s annual accounts for the year ended 30 June, 2011.

The condensed interim accounts have been prepared under the historical cost convention except where stated otherwise in the accounting policies of the Group’s annual accounts for the year ended 30 June, 2011.

2. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in: (i) the trading of fertilizers, pesticides and other agricultural resources products (the “trading operation”); (ii) the manufacturing and selling of pesticides and fertilizers (the “manufacturing operation”); (iii) the provision of plant protection technical services (the “consultancy operation”); (iv) the trading of non-agricultural resources products (“non-agricultural resources trading operation”) and (v) nursing, planting and sales of landscaping seedlings (“seedling operation”) in Mainland China.

Turnover represents the sale value of goods supplied to customers and revenue from provision of services.

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

(i) For the six months ended 31 December, 2011

	Trading operation HK\$'000	Manu- facturing operation HK\$'000	Consultancy operation HK\$'000	Non- agricultural resources trading operation HK\$'000	Seedling operation HK\$'000	Group HK\$'000
Revenue from external customers	1,535,919	70,472	10,107	568,426	35,318	2,220,242
Inter-segment revenue	2,501	7,688	—	12,554	—	22,743
Reportable segment revenue	<u>1,538,420</u>	<u>78,160</u>	<u>10,107</u>	<u>580,980</u>	<u>35,318</u>	<u>2,242,985</u>
Reportable segment profit/(loss) before taxation	<u>14,218</u>	<u>(5,832)</u>	<u>8,710</u>	<u>11,867</u>	<u>354</u>	<u>29,317</u>
Interest income	11,438	219	5	2,527	10	14,199
Finance cost	32,540	2,509	—	17,994	—	53,043
<i>Reconciliation of reportable segment profit:</i>						
Reportable segment profit						29,317
Unallocated gain from compensation of shortfall of guaranteed profit arising from an acquisition						120,000
Unallocated gain from change in fair value of derivative financial liabilities						21,567
Unallocated finance cost						(26,201)
Unallocated corporate expenses						(5,191)
Consolidated profit before taxation						<u>139,492</u>

(ii) For the six months ended 31 December, 2010

	Trading operation <i>HK\$'000</i>	Manu- facturing operation <i>HK\$'000</i>	Consultancy operation <i>HK\$'000</i>	Non- agricultural resources trading operation <i>HK\$'000</i>	Seedling operation <i>HK\$'000</i>	Group <i>HK\$'000</i>
Revenue from external customers	1,318,736	95,113	9,061	402,990	24,721	1,850,621
Inter-segment revenue	10,216	8,822	—	17,719	—	36,757
Reportable segment revenue	<u>1,328,952</u>	<u>103,935</u>	<u>9,061</u>	<u>420,709</u>	<u>24,721</u>	<u>1,887,378</u>
Reportable segment profit before taxation	<u>3,811</u>	<u>8,033</u>	<u>7,873</u>	<u>7,967</u>	<u>17,666</u>	<u>45,350</u>
Interest income	8,910	4	4	1,231	1	10,150
Finance cost	15,761	91	—	4,171	—	20,023
<i>Reconciliation of reportable segment profit:</i>						
Reportable segment profit						45,350
Unallocated gain from bargain purchases on acquisition of subsidiaries						216,511
Unallocated finance cost						(8,731)
Unallocated corporate expenses						<u>(7,099)</u>
Consolidated profit before taxation						<u>246,031</u>

As all the Group's revenue from external customers was generated in Mainland China, no geographical segment analysis is presented.

3. PROFIT BEFORE TAXATION

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

	Six months ended 31 December,	
	2011	2010
	HK\$'000	HK\$'000
After charging:		
Interest on bank loans and other borrowings wholly repayable within five years	53,043	20,023
Interest on convertible bonds	20,496	6,871
Interest on promissory notes	5,705	1,860
Total interest expense on financial liabilities not at fair value through profit or loss	79,244	28,754
Staff costs (including directors' emoluments)	17,240	14,146
Amortisation		
— Lease premiums for land	181	139
— Product development costs	2,062	2,063
— Technical know-how	2,778	1,860
Operating lease rentals of premises	10,488	7,736
Depreciation of property, plant and equipment	7,528	4,866
After crediting:		
Interest income on financial assets not at fair value through profit or loss	14,199	10,150
Gain on disposal of subsidiaries	11,547	—

4. INCOME TAX

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 for the current period represented Mainland China enterprise income tax charged on the estimated assessable profits of the Company's subsidiaries established in the Mainland China. On 16 March, 2007, the National People's Congress approved the Corporate Income Tax of the Mainland China (the "new CIT law"). The new CIT law unifies the corporate income tax for domestic and foreign enterprises at 25% with effect from 1 January, 2008. Entities which are entitled to special incentive may continue to enjoy the given concessions, if applicable.

Except for deferred tax liabilities recognised on acquisition of subsidiaries in respect of fair value of intangible assets identified and recognised, no deferred tax liabilities on dividend have been recognised, as the Company controls the dividend policy of its subsidiaries and it has been determined that the profits earned by the Company's certain PRC subsidiaries for the period from 1 January, 2008 to 31 December, 2011 will not be distributed in the foreseeable future.

5. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

(a) Earnings

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share	133,850	239,316

(b) Weighted average number of ordinary shares

	Number of shares	
	2011 <i>'000</i>	2010 <i>'000</i>
Weighted average number of ordinary shares used in calculating basic earnings per share	792,961	650,917
Effect of dilutive potential shares arising from — share options	—	4,566
Weighted average number of ordinary shares used in calculating diluted earnings per share	792,961	655,483

Unlisted warrants had anti-dilutive effects on the basic earnings per share for the six months ended 31 December, 2011.

Convertible bonds had anti-dilutive effects on the basic earnings per share for the six months ended 31 December, 2010 and 2011.

6. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors and bills receivables with the following ageing analysis based on invoice date as of the end of the reporting period:

	At 31 December, 2011 <i>HK\$'000</i>	At 30 June, 2011 <i>HK\$'000</i>
0-90 days	597,998	705,114
91-180 days	196,599	39,659
181-365 days	9,291	44,347
Over 365 days	35	7,746
	803,923	796,866
<i>Less:</i> allowance for doubtful debts	(13,075)	(13,075)
	790,848	783,791

Debts are generally due within six months from the date of billing. The Group may, on a case by case basis and after evaluation of the business relationship and creditworthiness of the customers, extend the credit period upon a customer's request.

7. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors and bills payable with the following ageing analysis as of the end of the reporting period:

	At 31 December, 2011 <i>HK\$'000</i>	At 30 June, 2011 <i>HK\$'000</i>
Due within 1 month or on demand	258,540	385,103
Due after 1 month but within 2 months	156,287	311,865
Due after 2 months but within 3 months	96,699	246,807
Due after 3 months but within 6 months	857,852	762,481
Due after 6 months	12,215	33,610
	<hr/> 1,381,593 <hr/>	<hr/> 1,739,866 <hr/>

8. COMPARATIVE FIGURES

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 31 December, 2011 (2010: nil).

BUSINESS REVIEW AND OUTLOOK

Overall Results

For the six months ended 31 December, 2011, the Group's consolidated turnover was approximately HK\$2,220,242,000 (2010: HK\$1,850,621,000) and net profit attributable to owners of the Company was approximately HK\$133,850,000 (2010: HK\$239,316,000), representing a growth of about 20% and a decrease of about 44% respectively as compared to the last financial period. Net profit, excluding the impact of certain non-cashflow items (i.e. loss arising from change in fair value less costs to sell of biological assets, gain from bargain purchases on acquisition of subsidiaries (for the last reporting period), gain from change in fair value of derivative financial liabilities and notional interest expense on financial liabilities) was approximately HK\$148,761,000 (2010: HK\$31,536,000), represented an increase of about 372%, which was mainly due to the record of a gain from compensation of shortfall of guaranteed profit arising from an acquisition amounted to HK\$120 million during the period.

The Group's businesses can be divided into three categories, namely, (i) agricultural resources operation; (ii) trading of non-agricultural resources products; and (iii) seedling operation. 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 seedling operation represents nursing, planting and sales of landscaping seedlings.

The increase in consolidated turnover of the Group was mainly due to the increase in trading of both agricultural resources and non-agricultural resources products as a result of gradual market resumption and increase in selling prices of fertilizers, pesticides and commodities since the last year. The overall gross profit margin of the Group of 6.2% was comparable to that of the last period.

The reportable segment profit of the Group was approximately HK\$29,317,000 (2010: HK\$45,350,000), representing a decrease of about 35%, which was mainly due to the increase in finance cost of operations in the Mainland China, which offset the effect of increase in turnover and gross profit of agricultural resources operation and trading of non-agricultural resources products during the period, as well as the unsatisfactory performance of the seedling operation during the period.

Agricultural resources operation and trading of non-agricultural resources products:

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

	Six months ended 31 December,			
	2011		2010	
	Turnover HK\$'000	Percentage of the total turnover	Turnover HK\$'000	Percentage of the total turnover
Agricultural resources operation				
nitrogenous fertilizer	171,215	8%	165,996	9%
phosphorous fertilizer	274,095	13%	249,493	14%
potash fertilizer	401,653	18%	372,678	20%
compound fertilizer	511,662	23%	467,241	26%
pesticides	257,873	12%	167,502	9%
Agricultural resources products (subtotal)	1,616,498	74%	1,422,910	78%
Trading of non-agricultural resources products	568,426	26%	402,990	22%
Total	2,184,924	100%	1,825,900	100%

Aggregate sales volume of fertilizers, including nitrogenous fertilizer, phosphorous fertilizer, potash fertilizer and compound fertilizer, slightly increased from approximately 539,000 tonnes last period to approximately 540,000 tonnes this period. The aggregate turnover of fertilizers for this period was approximately HK\$1.359 billion, representing a growth of about 8% compared to approximately HK\$1.255 billion last period.

For pesticides, turnover sharply increased by 54% from approximately HK\$168 million last period to approximately HK\$258 million this period.

Turnover for trading of non-agricultural resources product increased by 41% from approximately HK\$403 million last period to approximately HK\$568 million this period.

Aggregate gross profit and reportable segment profit before taxation from agricultural resources operation and trading of non-agricultural resources products amounted to approximately HK\$119,180,000 (2010: HK\$99,956,000) and HK\$28,963,000 (2010: HK\$27,684,000) respectively, representing an increase of approximately 19% and 5% respectively as compared to the last period. Overall gross profit margin from these businesses was approximately 5.5% which was comparable to that of the last period. Gross profit of agricultural resources operation increased from approximately HK\$74.7 million last period to approximately HK\$86.4 million this period, while gross profit of trading of non-agricultural resources products increased from approximately HK\$25.3 million last period to approximately HK\$32.8 million this period. However, such increases were largely offset by the increase in finance costs during the period.

Agricultural Resources Operation

(1) Nitrogenous fertilizer

Being the most commonly used fertilizer, the supply of nitrogenous fertilizers outstrips its demand, characterizing the trading environment as volume-oriented with thin gross profit margin. During the period under review, the trading profit margin was still thin and the Group recorded a gross profit margin of approximately 1.8% (2010: 1.7%). Therefore, in order to better allocate the Group's working capital resources and minimize operational risks, the Group reduced the trading of nitrogenous fertilizer in recent years and therefore, the sales volume decreased to approximately 83,000 tonnes (2010: 88,000 tonnes) while turnover increased by 3% to HK\$171 million (2010: HK\$166 million) due to increase in selling price.

(2) Phosphorous fertilizer

During the period under review, the market demand for phosphorous fertilizers was comparable to that of the last period. The Group leveraged on its experience in the phosphorous fertilizer market and maintain short stock turnover days so as to minimize operational risk. As a result, sales volume of phosphorous fertilizer slightly increased to approximately 163,000 tonnes (2010: 162,000 tonnes), while turnover increased by 10% to HK\$274 million (2010: HK\$249 million) and gross profit margin increased from 3.8% last period to 4.0% this period due to increase in selling price.

(3) Potash fertilizer

During the period under review, the market demand for potash fertilizer was comparable to that of the last period. The Group continued to leverage on the advantages of central purchase and its own network to expand the operation of potash fertilizer. As a result, sales volume of potash fertilizer for the period increased by 2% to 107,000 tonnes (2010: 105,000 tonnes) while turnover increased by 8% to HK\$402 million (2010: HK\$373 million) due to increase in selling price. Gross profit margin was also slightly improved to approximately 4.2% (2010: 4.1%).

(4) Compound fertilizer

The Group provides specific compound fertilizer for different crops through its own production or procurement. During the period, the Group continued to optimize the product mix of compound fertilizer products to accommodate market demand. Sales volume slightly increased from approximately 184,000 tonnes last period to approximately 187,000 tonnes this period while turnover increased by 10% to approximately HK\$512 million (2010: HK\$467 million). Gross profit margin slightly increased from approximately 4.6% last period to approximately 4.7% this period due to increase in selling price.

(5) Pesticides

For pesticides, the Group has a large variety of high-value-added pesticide products which are developed through collaboration with different research institutes. Those pesticide products are either manufactured by the Group's own plants or through procurement and distribution. Turnover for the period increased by 54% to approximately HK\$258 million (2010: HK\$168 million) while average gross profit margin of pesticides decreased from approximately 15.4% last period to approximately 12.3% this period due to the increase in indent sales of pesticide products with relatively lower profit margin during the period.

Trading of Non-Agricultural Resources Products

For non-agricultural resources products, orders were increased due to gradual resumption of worldwide commodities market. During the period, the Group achieved satisfactory performance from trading of imported coals. As a result, turnover and gross profit increased by 41% and 30% to approximately HK\$568 million (2010: HK\$403 million) and HK\$32.8 million (2010: HK\$25.3 million) respectively this period, while operating profit margin also increased from approximately 2.7% last period to approximately 4.8% this period.

Seedling operation:

The Group completed the acquisition of a landscaping seedling enterprise on 1 November, 2010. The enterprise, namely, Shanxi Astro-wood, currently operates a total of six seedling plantation bases in Shanxi and Beijing for the nursing, planting and sale of rare landscaping seedlings in the PRC. During the period, Shanxi Astro-wood contributed a turnover and net profit of approximately HK\$35.3 million (2010: HK\$24.7 million) and HK\$10.6 million (2010: HK\$17.7 million) respectively to the Group (excluding the loss arising from change in fair value less costs to sell of biological assets). However, as the seedling business failed to achieve the target profit for the year ended 30 June, 2011 as stipulated in the sale and purchase agreement for such acquisition, one of vendors, being the guarantor for the target profit, was obliged to pay the Company an amount of HK\$120 million which was recorded by the Company as an unallocated other income ("Gain from compensation of shortfall of guaranteed profit arising from an acquisition") during the period.

Looking forward, the Group will strive to adjust the seedlings product mix in order to improve the performance of the seedling operation.

As detailed in the Company's announcement dated 27 February, 2012, the plaintiff applied to the court for withdrawal of the suit against Shanxi Astro-wood in respect of a plantation base, which was permitted by the court on 22 February, 2012. It is expected that the relevant seal-up order against the plantation base will be unwind by the court shortly and Shanxi Astro-wood will resume all its rights to the plantation base thereafter.

Corporate Strategies and Prospects

In the recently announced No. 1 Document of the Central Government of Year 2012, the PRC government continued its policy on deepening the agricultural reform, increasing farmers' income and stepping up its efforts to address the "three rural (rural areas, farmers and agriculture) issues". In particular, the No. 1 Document emphasized the importance of agricultural technologies for a stable and continued development of agriculture and supply of agricultural produces, as well as the assurance of food safety for China. As such, the Central Government demonstrated its diligence to take every measure to increase the grain production and improve the agricultural technologies, which provides the Group with a favorable environment for development in the coming years.

On the other hand, in view of the uncertainties of the worldwide economic environment arising from debt crises of some European countries and effectiveness of economic stimulation policies of the United States, which coupled with the recent relaxing lending policies of the PRC banking industry, the Group will continue to strengthen its risk management and will take a prudent approach in the hope of steering clear of adversities in the coming year. The Group will also closely review its business model in order to reinforce its core competitiveness by consolidating existing businesses while setting new development direction.

Looking forward, in addition to the on-going pursuit of its centralized purchase and distribution policy and optimization of product mix, the Group will actively strengthen strategic cooperation with upstream brandname suppliers to further explore quality resources and thereby increasing its stability and sustainability.

Furthermore, the Group is continuously seeking investment opportunities, with a view to diversifying the Group's agriculture business, enlarging the Group's asset base and expanding its source of income. We are optimistic about the long-term development of the Group and will better position ourselves to take on the challenges and opportunities arising in the year to come.

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 31 December, 2011, cash and cash equivalents and restricted bank deposits of approximately HK\$711,948,000 included HK\$530,000 which was denominated in Hong Kong dollars, HK\$6,560,000 which was denominated in US dollars and HK\$704,858,000 which was denominated in Renminbi.

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

Indebtedness and Banking Facilities

As at 31 December, 2011, the Group had bank borrowings of approximately HK\$906,196,000 (approximately HK\$758,862,000 was denominated in Renminbi and approximately HK\$147,334,000 was denominated in US/Euro dollars) bearing interest at rates ranging from approximately 4% to 9% per annum. As at 31 December, 2011, the Group had bills payable of approximately HK\$1.324 billion which was secured by pledged bank deposits of approximately HK\$533 million.

As at 31 December, 2011, the Group had (i) convertible bonds (due in November 2015) and promissory notes (due in December 2012) with outstanding principal amount of HK\$623 million and HK\$200 million respectively, both were denominated in Hong Kong dollars and non-interest bearing; and (ii) convertible bonds (due in January 2016) with outstanding principal amount of RMB70 million which was denominated in Renminbi and bore a yield-on-maturity/redemption of 6% per annum on a compound basis.

As at 31 December, 2011, the Group's gearing ratio is approximately 100%. This is based on the division of the total amount of bank loans, promissory notes and convertible bonds (liability components) by total equity attributable to owners of the Company as at 31 December, 2011. The Directors, taking into account of the nature and scale of operations and capital structure of the Group, considered that the gearing ratio as at 31 December, 2011 was healthy.

Securities in Issue

On 28 November, 2011, the Company issued 100,000,000 warrants ("2013 Unlisted Warrants") at the issue price of HK\$0.01 per warrant pursuant to a subscription agreement dated 17 November, 2011. The warrant holder has the right to exercise the subscription rights attaching to the warrants, in whole or in part, at the subscription price of HK\$0.40 per subscription share at any time within 18 months commencing from the date of issue of the warrants. The warrants are not listed on the Stock Exchange or any other stock exchanges. The net proceeds of approximately HK\$900,000 from the issue of the warrants were used as general working capital of the Group. No warrant was exercised during the period.

During the period:

1. the Company redeemed upon maturity of the convertible bonds (due in July 2011) of their outstanding principal amount of HK\$29,880,000 on 25 July, 2011.
2. on 12 October, 2011, pursuant to the sale and purchase agreement dated 29 October, 2010 in relation to the acquisition of the entire interests of Fast Base Holdings Limited and its subsidiaries, 28,000,000 consideration shares were issued by the Company.

3. the convertible bonds (due in November 2015) with an aggregate principal amount of HK\$40,000,000 was converted into 40,000,000 shares of the Company at the conversion price of HK\$1.00 each.
4. on 30 December, 2011, 400,000 and 48,270,000 share options both granted under the share option scheme adopted by the Company on 31 December, 2001 at an exercise price of HK\$0.55 and HK\$0.72 respectively per share were lapsed due to the expiration of the option period.

As at 31 December, 2011, there were 847,765,216 ordinary shares in issue and potential ordinary shares arising from (i) the convertible bonds (due in November 2015) in an aggregate outstanding principal amount of HK\$623,000,000 at the conversion price of HK\$1.00 per share (subject to adjustments); (ii) the convertible bonds (due in January 2016) in an aggregate outstanding accreted principal amount of approximately HK\$86,205,000 (being original principal of HK\$81,680,000 plus accrued interest of HK\$4,525,000) at the reset conversion price of HK\$0.70 per share (subject to adjustments); (iii) unlisted warrants (to be expired in January 2016) conferring rights to subscribe for 60,000,000 shares at the subscription price of HK\$1.20 per share; and (iv) 2013 Unlisted Warrants conferring rights to subscribe for 100,000,000 shares at the subscription price of HK\$0.40 per share.

Save as disclosed above, there was no movement in the issued share capital of the Company during the six months ended 31 December, 2011.

Commitments

As at 31 December, 2011, the Group had no significant outstanding contracted capital commitments, and the operating lease commitments was approximately HK\$101.1 million of which approximately HK\$46.7 million is in respect of operating leases of seedling plantation bases with remaining lease terms ranging from 18 to 48 years.

Contingent Liabilities

As at 31 December, 2011, the Group had no material contingent liabilities.

Remuneration Policies and Share Option Scheme

The Group incurred total salaries and other remunerations (excluding employee share-based compensation expense) of approximately HK\$17.2 million with an average number of about 1,000 staff during the six months ended 31 December, 2011.

Remuneration packages comprised salary, mandatory provident fund and year-end bonus based on individual merits. The share option scheme, adopted by the Company on 31 December, 2001 (the “Scheme”), had expired by effluxion of time on 30 December 2011. During the six months ended 31 December, 2011, no share option was granted to the relevant participants under the Scheme (2010: nil).

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

The Company did not redeem any of its listed securities during the six months ended 31 December, 2011. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the six months ended 31 December, 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 31 December, 2011, 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. Upon the resignation of Mr. Lam Ming Yung as an independent non-executive director of the Company on 15 December, 2011, Mr. Li Yik Sang was appointed as an independent non-executive director of the Company on the same date and entered into a letter of appointment with the Company for a term of one year. The Company has complied with code provision A.4.1 since 15 December, 2011.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules. The Company had made specific enquiry with all Directors and all of them confirmed that they have complied with the Model Code throughout the six months ended 31 December, 2011.

REVIEW OF ACCOUNTS

The Audit Committee comprises the 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 internal control and financial reporting matters including review of the unaudited interim accounts of the Group for the six months ended 31 December, 2011.

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. Zhang Shaosheng, Mr. Wong Kin Tak and Mr. Li Yik Sang, who are the independent non-executive directors of the Company.

On behalf of the Board
China Agrotech Holdings Limited
Wu Shaoning
Chairman

Hong Kong, 28 February, 2012