



Goldigit Atom-tech Holdings Limited
金澤超分子科技控股有限公司
(Incorporated in the Cayman Islands with limited liability)

Interim Report 2001



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SUMMARY

The Company achieved a turnover of approximately HK\$58 million for the six months ended 30th June, 2001, representing an approximately 187.8 times increase as compared to the same period of the previous financial year. The unaudited consolidated net profit for the period was approximately HK\$37 million. The Company was successfully listed on the GEM of the Stock Exchange on 9th July, 2001.

CONSOLIDATED PROFIT AND LOSS ACCOUNT (UNAUDITED)

The board of directors (the “Board”) of Goldigit Atom-tech Holdings Limited (the “Company”) is pleased to announce that the unaudited results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30th June, 2001, together with the comparative unaudited figures for the corresponding periods in 2000, are set out below:

	Notes	For the three months ended 30th June,		For the six months Ended 30th June,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	41,129	306	57,790	306
Cost of sales		<u>(13,276)</u>	<u>(210)</u>	<u>(18,856)</u>	<u>(257)</u>
Gross profit		27,853	96	38,934	49
Other revenue		16	–	31	–
Selling expenses		(113)	(17)	(145)	(35)
General and administrative expenses		(1,044)	(85)	(1,333)	(145)
Research and development costs		<u>–</u>	<u>–</u>	<u>(447)</u>	<u>–</u>
Profit/(loss) from operating activities		26,712	(6)	37,040	(131)
Income taxes	3	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit (loss) before minority interests		26,712	(6)	37,040	(131)
Minority interests		<u>–</u>	<u>1</u>	<u>–</u>	<u>26</u>
Net profit (loss) attributable to Shareholders		<u>26,712</u>	<u>(5)</u>	<u>37,040</u>	<u>(105)</u>
Dividends	4	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings (loss) per share	5	<u>1.96 cents</u>	<u>(0.0004) cent</u>	<u>2.72 cents</u>	<u>(0.008) cent</u>

Notes:

1. Group reorganisation and basis of preparation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2001 Second Revision) Chapter 22 of the Cayman Islands on 9th February, 2001. Pursuant to a reorganisation to rationalize the Group structure in preparation for the listing of the Company's shares (the "Reorganisation") on Growth Enterprise Market ("GEM"), and the Company thereby became the holding company of the Group on 22nd June, 2001. The shares of the Company were listed on GEM with effect from 9th July, 2001.

The consolidated financial statements have been prepared using the merger basis of accounting. Under this basis, the Company has been accounted for as the holding company of its subsidiaries acquired through the Reorganisation throughout the period from 1st January, 2000 to 30th June, 2001. Accordingly, the consolidated results of the Group for the three months and six months ended 30th June, 2000 and 2001 include the results of the Company and its subsidiaries with effect from 1st January, 2000.

The principal accounting policies adopted in preparing the unaudited consolidated results conform with the Statement of Standard Accounting Practice issued by the Hong Kong Society of Accountants.

2. Turnover

Turnover represents the amounts received and receivable for goods sold to outside customers, less returns, allowance and sales tax during the three months and six months ended 30th June, 2001, and is analysed as follows:

	For the three months ended 30th June,		For the six months ended 30th June,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Sales of goods	41,178	307	57,859	307
Less: sales tax	49	1	69	1
	<u>41,129</u>	<u>306</u>	<u>57,790</u>	<u>306</u>

Note: Sales tax represents various local taxes levied at the rate of 0.119% on the invoiced value of goods sold. The Group has a value added tax exemption privilege in respect of its sales for the period from 1st June, 1998 to 31st December, 2001.

3. Income Taxes

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

No provision for income tax in other jurisdictions were made as one of the subsidiaries, Fujian Goldigit Fine Chemical Industry Co., Ltd (“Fujian Goldigit”) is eligible for certain tax holidays and concessions and is exempted from PRC income taxes commencing in year 2000 for two years and thereafter a 50% exemption for the next three years. The prevailing income tax rate applicable to Fujian Goldigit is 30%.

There is no significant unprovided deferred taxation for the three months and six months ended 30th June, 2000 and 2001 and as at 30th June, 2000 and 2001.

4. Dividend

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30th June, 2001 (2000: nil), except an interim dividend of HK\$10,000,000 was paid on 31st May, 2001 by its subsidiary, Goldigit Limited to its then shareholders in respect of the three months ended 31st March, 2001.

The rate of dividend and number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

5. Earnings (Losses) Per Share

The calculations of the earnings (losses) per share is based on the net profit (loss) attributable to shareholders during the three months and six months ended 30th June, 2000 and 2001 and on 1,359,860,000 shares in issue and issuable, assuming the Reorganisation had been completed on 1st January, 2000.

Diluted earnings (loss) per share is not presented for the three months and six months ended 30th June, 2001 and 2000 as there were no potential dilutive securities in existence during the three months and six months ended 30th June, 2000 and 2001.

6. Reserves

Movement in reserves of the Group during the three months and six months ended 30th June, 2001 are as follows:

	Goodwill reserve HK\$'000	Statutory reserve fund HK\$'000	Total HK\$'000
At 1st January, 1st April and 1st July, 2000	(129)	–	(129)
Goodwill arising on increase in interests in a subsidiary	<u>(64)</u>	<u>–</u>	<u>(64)</u>
At 1st October, 2000	(193)	–	(193)
Transfer from retained profits	<u>–</u>	<u>350</u>	<u>350</u>
At 31st December, 2000, 31st March, 2001 and 30th June, 2001	<u>(193)</u>	<u>350</u>	<u>157</u>

Note: In accordance with the Law of the PRC on foreign enterprises, the Company's PRC subsidiary is required to transfer an amount of not less than 10% of its profit after tax to the statutory reserve fund, which may be distributed to investors in the form of a bonus issue.

As at 30th June, 2001, the Company had no distributable nor other reserve.

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

For the six months ended 30th June, 2001, the Group achieved a turnover of HK\$57.8 million, represents approximately 188 times increase from HK\$0.3 million for the same period in the previous year. The Directors believe that the substantial growth in turnover was attributable to the fact that, the Group's product, Sha Shi Ba, was well received by farmers and its successful geographical sales expansion.

Reasons for the substantial increase in general and administrative expenses are due to the increase of operating cost of Hong Kong office which commenced operation in April 2001 and the staff travelling costs owing to the needs of processing the listing of the Company's shares. Net profit for the six months ended 30th June, 2001 was approximately HK\$37.1 million, while for the same period last year, the Group recorded a loss of approximately HK\$0.1 million, as the sales of the sole product namely Sha Shi Ba, was launched to the market in second quarter of 2000.

Dao Ying Wen Jing, the Group's second product, will be launched in the second half of 2001. Pre-marketing activities for Dao Ying Wen Jing such as seminars and training courses for farmers were carried out during the past months.

In addition, the Group's third product, namely 1.2% fipronil, is expected to complete its final stage of trial by end of 2001 and to be launched by second half of 2002.

The placing of the Company's shares was well responded despite of the weak market sentiment in July 2001. The Group received subscription for shares equivalent to approximately 12.4 times of the total number of shares available from the placing. Trading of the Company's shares commenced on 9th July, 2001.

PROSPECT

The Group envisages enormous business opportunities and market potential in the PRC's agricultural pesticides market as the application of the Propulsive Agent technology ("PAT") in paddy pesticides has received popular support from farmers in the past few months. Leveraging on this advanced technological nature of the paddy

pesticides, the Group expects that the Group's market share in paddy pesticides in the PRC shall increase significantly in the foreseeable future.

In addition, the Group will continue to enrich the application of PAT to different types of products. The Group is in the process of exploring products other than paddy pesticides and it has started research and studies on the application of PAT on other types of products, such as, fertilizers, herbicides, mosquito terminators, algae killer and oil slicks' solvent.

Leveraging on all these capabilities, the directors are confident that the PAT continue to be valuable assets to the Group and in the future to generate favourable returns to meet the expectations of all shareholders.

DIRECTORS' AND CHIEF EXECUTIVE'S INTEREST IN SECURITIES

As at 9th July, 2001 (being the date of listing of the Company), according to the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), the directors' interest in the Company's shares were as follows:

Name of director	Number of shares in the Company	Nature of interest
Mr. Lao Seng Peng	1,169,479,600	Corporate interest

Note: These shares are held by Best Today Investments Limited which is wholly owned by Mr. Lao Seng Peng.

SUBSTANTIAL SHAREHOLDERS

As at 9th July, 2001 (being the date of listing of the Company), save for interests of directors disclosed above, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the Company's issued share capital:

Name	Number of shares in the Company	Percentage in shareholdings (%)
Mr. Lao Seng Peng	1,169,479,600	68.8%

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Since dealings in the shares of the Company only commenced on GEM on 9th July, 2001, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the period under review.

SHARE OPTION SCHEME

Under a share option scheme adopted by the shareholders of the Company on 22nd June, 2001, the directors of the Company may, at their discretion, offer the full-time employees, and executive directors of the Company, options to subscribe for shares in the Company subject to the terms and conditions stipulated therein. During the period from 1st January, 2001 to 30th June, 2001, no option was granted by the Company under the Share Option Scheme and as at 30th June, 2001, no option pursuant to the Share Option Scheme was outstanding.

Save as disclosed above, during the three months and six months ended 30th June, 2001, none of the directors and employees of the Company or its subsidiaries was granted options to subscribe for shares in the Company.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme as described in the section headed "Share Option Scheme" above, at no time during the period from 1st January, 2001 to 30th June, 2001 was the Company, any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such rights.

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

According to the statement of business objectives stated in the prospectus dated 29th June, 2001, the period of statement of business objectives 26th June, 2001 to the end of December 2001, but this interim result announcement covers from 1st January, 2001 to 30th June, 2001, therefore, no comparison is presented, and the actual business progress is stated in the statement of business objectives of the prospectus.

COMPETING INTERESTS

None of the directors or the management shareholders of the Company and their respective associates (as defined in the GEM listing Rules) had an interest in a business which competes or may compete with the business of the Group.

SPONSOR'S INTEREST

As updated and notified by the Company's sponsor, Core Pacific – Yamaichi Capital Limited (“Core Pacific – Yamaichi”), neither Core Pacific – Yamaichi nor its directors, employees or associates had any interest in the share capital of the Company as at 9th July, 2001 pursuant to Rules 6.35 and 18.63 of the GEM Listing Rules.

Pursuant to the agreement dated 9th July, 2001 entered into between the Company and Core Pacific – Yamaichi, Core Pacific – Yamaichi has received and will receive a fee for acting as the Company's retained sponsor for the period from 9th July, 2001 to 31st December, 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein.

AUDIT COMMITTEE

The Company established an audit committee on 22nd June, 2001 with written terms of reference in compliance with the requirements as set out in Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and to provide supervision over the financial reporting process and internal control system of the Group. The audit committee comprises the three independent non-executive directors, Mr. Sun Juyi, Mr. Stacey Martin Wong and Mr. Lam Ming Yung.

On behalf of the Board
Cheung Ying Kwan
Company Secretary

Hong Kong, 26th July, 2001

* *For identification purpose only*