



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)

Third Quarterly Report 2001



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SUMMARY

The Company achieved a turnover of approximately HK\$95 million for the nine months ended 30th September, 2001, representing an approximately 74 times increase as compared to the same period of the previous financial year. The unaudited consolidated net profit for the period was approximately HK\$58 million.

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 nine months ended 30th September, 2001, together with the comparative unaudited figures for the corresponding periods in 2000, as set out below:

	Notes	For the three months ended 30th September,		For the nine months ended 30th September,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	37,522	957	95,312	1,263
Cost of sales		<u>(12,192)</u>	<u>(313)</u>	<u>(31,048)</u>	<u>(570)</u>
Gross profit		25,330	644	64,264	693
Other revenue		1,258	–	1,289	–
Selling expenses		(1,152)	(11)	(1,297)	(46)
General and administrative expenses		(2,153)	(91)	(3,486)	(236)
Research and development costs		<u>(1,410)</u>	<u>(62)</u>	<u>(1,857)</u>	<u>(62)</u>
Profit from operating activities		21,873	480	58,913	349
Income taxes	3	<u>(1,014)</u>	<u>–</u>	<u>(1,014)</u>	<u>–</u>
Profit before minority interests		20,859	480	57,899	349
Minority interests		<u>–</u>	<u>96</u>	<u>–</u>	<u>70</u>
Net profit attributable to shareholders		<u>20,859</u>	<u>384</u>	<u>57,899</u>	<u>279</u>
Dividends	4	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share – basic	5	<u>1.24 cents</u>	<u>0.03 cents</u>	<u>3.94 cents</u>	<u>0.02 cents</u>

Notes:

1. Group reorganization 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 reorganization to rationalize the Group structure in preparation for the listing of the Company's shares (the "Reorganization") on Growth Enterprise Market ("GEM"), the Company acquired the entire issued share capital of Goldigit Limited, the then holding company of the subsidiaries included in the Reorganization, and 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 Reorganization throughout the period from 1st January, 2000 to 30th September, 2001. Accordingly, the consolidated results of the Group for the three months and nine months ended 30th September, 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 nine months ended 30th September, 2001, and is analyzed as follows:

	For the three months ended 30th September,		For the nine months ended 30th September,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Sales of goods	37,588	959	95,447	1,266
Less: sales tax	66	2	135	3
	<u>37,522</u>	<u>957</u>	<u>95,312</u>	<u>1,263</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

The tax provision of HK\$1,014,000 represent the under-provision in profit tax in respect of the year ended 31st December, 2000, based on an income tax rate of 27% on the profit of Fujian Goldigit Fine Chemical Industry Co., Ltd. (“Fujian Goldigit”) a wholly owned subsidiary of the Company and a wholly foreign-owned enterprise (“WFOE”) in the PRC. On 1st August, 2001, Fujian Province State Tax Bureau has approved Fujian Goldigit to defer its entitlement of privileged tax policy rendered to WFOEs in the PRC. Accordingly, the expiry of the profit tax holiday and the 50% tax concession period of 31st December, 2001 to 31st December, 2004 as stated in the Prospectus will be deferred to 31st December, 2002 to 31st December, 2005 respectively, details of which refer to the Company’s announcement on 7th August, 2001. The prevailing income tax rate applicable to Fujian Goldigit is 27%.

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

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

4. Dividend

The Board has resolved not to recommend the payment of an interim dividend for the nine months ended 30th September, 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 per share

The calculations of the basic earnings per share for the three months and nine months ended 30th September, 2001 is based on the respective unaudited consolidated net profit attributable to shareholders of HK\$20,859,000 and HK\$57,899,000 (2000: HK\$384,000 and HK\$279,000) and the weighted average number of 1,681,381,739 and 1,468,211,648 (2000: 1,359,860,000 and 1,359,860,000) ordinary shares outstanding. The 1,359,860,000 ordinary shares outstanding as a result of the Group’s Reorganization prior to its initial public offering of its shares in July 2001, are included in the calculation of the weighted average number of shares as if those shares had been in issue since 1st January, 2000.

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

6. Reserves

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

	Goodwill reserve <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January and 1st July, 2000	(129)	–	–	(129)
Goodwill arising on increase in interests in a subsidiary	<u>(64)</u>	<u>–</u>	<u>–</u>	<u>(64)</u>
At 1st October, 2000	(193)	–	–	(193)
Transfer from retained profits	<u>–</u>	<u>350</u>	<u>–</u>	<u>350</u>
At 30th June, 2001	(193)	350	–	157
Net share premium arising on placing of shares	<u>–</u>	<u>–</u>	<u>72,337</u>	<u>72,337</u>
At 30th September, 2001	<u><u>(193)</u></u>	<u><u>350</u></u>	<u><u>72,337</u></u>	<u><u>72,494</u></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 September, 2001, the Company had no distributable nor other reserve.

FINANCIAL PERFORMANCE AND BUSINESS REVIEW

The Group's third quarter results for the fiscal year 2001 are encouraging. For the nine months ended 30th September, 2001, the Group achieved a turnover of HK\$95.3 million, representing an approximately 74 times increase from HK\$1.3 million for the same period in the previous year. Net profit attributable to shareholders for the nine months ended 30th September, 2001 was approximately HK\$57.9 million, representing 207 times increase from HK\$0.3 million for the same period in the previous year. The Directors believe that the substantial growth in turnover and net profit was attributable to the increased penetration of the Group's products.

The Group's gross profit margin increased from 55% for the nine months ended 30th September, 2000 to 67% for the nine months ended 30th September, 2001. This was mainly due to a higher economies of scale in production in the year of 2001. The Group is able to enjoy a high gross profit margin because of it being the only supplier of products utilizing the Propulsive Agent Technology ("PAT") in paddy pesticides.

Other income represented interest income earned. The increase in research and development expenses was due to the expansion of the research and development projects in the third quarter of 2001 which included projects on Target propellant new pesticide on Rice Borer and Mosquito terminator for urban drains. In addition, the substantial increase in general and administrative expenses was mainly due to the increase of operation cost associated with the addition of the Hong Kong office after the listing of the Company's share.

The establishments of a research and development center and a production plant are the main focus of the Group for the remaining of the year. The Group has conducted feasibility studies in setting up a new research and development center and a production plant for PAT. The establishments are expected to commence in a few months.

PROSPECT

During the period under review, the Group's operation has performed satisfactorily and is expected to continue to improve. The Directors expect a positive outlook for the agricultural pesticides market in the PRC.

The Directors believe that the Group will be able to continue to apply its exclusive PAT technology to introduce scalable and innovative products and solvent, such as, products on dissolving oil slick on ocean surfaces and controlling algae bloom. The Group expects to introduce a new product, 1.2% fipronil, in the second half of 2002. The Group will continue to explore market opportunities for its products including penetration into the international market.

DIRECTORS' INTERESTS IN SECURITIES

As at 30th September, 2001, 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 30th September, 2001, 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

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 September, 2001, no option was granted by the Company under the Share Option Scheme and as at 30th September, 2001, no option pursuant to the Share Option Scheme was outstanding.

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 September, 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.

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 INTERESTS

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 30th September, 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
Lao Seng Peng
Chairman

Hong Kong, 8th November, 2001

* *for identification only*