



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)

First Quarterly Report

| 2002



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This document, for which the directors of the Goldigit Atom-tech Holding 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 the Company. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this document 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 document misleading; and (3) all opinions expressed in this document have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

SUMMARY

The Company achieved a turnover of approximately HK\$18,240,000 for the three months ended 31st March, 2002, representing an increase of approximately 9 percent as compared to the corresponding period in 2001. The unaudited consolidated net profit for the three months ended 31st March, 2002 was approximately HK\$10,631,000, a slight increase of 3 percent as compared to the corresponding period in 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 ended 31st March, 2002, together with the comparative audited figures for the corresponding period in 2001, are set out below:

	<i>Notes</i>	For the three months ended 31st March	
		2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Turnover	2	18,240	16,661
Cost of sales		(5,897)	(5,580)
		<hr/>	<hr/>
Gross profit		12,343	11,081
Other revenue		467	15
Selling expenses		(103)	(32)
General and administrative expenses		(2,076)	(736)
		<hr/>	<hr/>
Profit from operating activities		10,631	10,328
Income taxes	3	0	0
		<hr/>	<hr/>
Net profit attributable to shareholders		<u>10,631</u>	<u>10,328</u>
Interim dividend		<u>0</u>	<u>10,000</u>
Earnings per share	4	<u>HK0.63 cents</u>	<u>HK0.76 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 which took place on 22nd June, 2001 to rationalize the Group structure in preparation for the listing of the Company's shares (the "Reorganization") on the Growth Enterprises Market ("GEM"), the Company became the holding company of the Group. The Company's shares were listed on GEM with effect from 9th July, 2001.

The principal accounting policies adopted in preparing the unaudited consolidated results of the Group conform with accounting principles generally accepted in Hong Kong and accounting standards issued by the Hong Kong Society of Accountants and the disclosure requirements of the Hong Kong Companies Ordinance and GEM Listing Rules.

2. Turnover

The Group is principally engaged in the sales and marketing of chemical pesticides applying Propulsive Agent Technology ("PAT"). Turnover represents the amounts received and receivable for goods sold to outside customers, less returns, allowance, value-added tax and sales tax. Sales recognized during the period were as follows:

	For the three months ended 31st March	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of goods	18,920	16,681
Less: value-added tax and sales tax	(680)	(20)
	<u>18,240</u>	<u>16,661</u>

The Group has a PRC value-added tax exemption privilege in respect of its sales for Dao Ying Wen Jing for the three months ended 31st March, 2002 (2001: nil). The sales for Sha Shi Ba was subject to the PRC value-added tax at a rate of 6% for the three months ended 31st March, 2002 (2001: nil).

Sales tax represents various local taxes levied at different rates based on the respective categories of the invoiced value of goods sold.

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.

The Group's PRC subsidiary, Fujian Goldigit Fine Chemical Industry Co., Ltd. ("Fujian Goldigit"), is under the Income Tax Law of the PRC for Enterprises with Foreign Investment entitled to an income tax holiday for two years from the first profit making year and a 50% reduction of income tax for the following three years. The first profit making year, for tax purposes, for Fujian Goldigit is the year ended 31st December, 2001.

There is no significant unprovided deferred taxation for the periods.

4. Earnings per share

The calculation of the earnings per share for the three months ended 31st March, 2002 is based on the unaudited consolidated net profit attributable to shareholders of approximately HK\$10,631,000 (2001: HK\$10,328,000) and the 1,699,860,000 (2001: 1,359,860,000) shares in issues during the period on the assumption that the Group's reorganization had been completed as at 1st January, 2001.

Diluted earnings per share is not presented since the Company has no potential dilutive securities during the period.

MOVEMENT IN RESERVES

There is no movement of reserves except for the profit attributable to shareholders for the three months ended 31st March, 2002.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2002 (2001: 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).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Turnover

For the three months ended 31st March, 2002, the Group's turnover was approximately HK\$18,240,000, representing an increase of approximately 9.5% from HK\$16,661,000 for the corresponding period in 2001. The growth of turnover mainly resulted from

the increase in the demand for quality pesticides in PRC. In view of the marketing opportunity, the Group had applied more resources to build its brand name and launched its products by investing in advertising and promotional activities in the 2nd half of 2001. The Board intends to increase the intensity of promotional activities to further increase awareness of the Group's products.

Pesticides is important for pest control and optimizing agriculture production. Demand for the Group's pesticides was expected to increase through geographical sales expansion. Since 2001 and during the period under review, the Group has increased its marketing efforts to different provinces. As a result, the Group received some enquiries in its new pesticides from potential new customers of different provinces. The Board believes that the impacts in sales as a result of these efforts will be reflected in the results of the Group for the year 2002.

Gross profit margin

The gross profit margin of the Group was improved slightly to 67.7% for the three months ended 31st March, 2002 from 66.5% for the corresponding period in 2001. The high gross profit margin of the Group was attributable to the fact that it is the unique supplier of the PAT pesticides.

Other income

The other income represented interest income from fixed deposit of the Group. During the three months ended 31st March, 2002, other income increased significantly mainly due to a higher cash and bank balance in the Group.

General and administrative expenses

General and administrative expenses on a monthly basis did not have significant fluctuations. During the three months ended 31st March, 2002, general and administrative expenses increased significantly mainly due to general and administrative expenses incurred by the office in Hong Kong.

Net profit

As a results of the factors discussed above, the net profit attributable to shareholders for the three months ended 31st March, 2002 increased slightly to approximately HK\$10,631,000, from HK\$10,328,000 for the corresponding period in 2001.

Research and development

The Group had continued its effort in development of new products. During the period under review, research and development of new products have been progressing smoothly. The result of test for 1.2% fipronil was positive and the Group targets to apply for registration of this product with the Ministry of Agriculture in the 2nd half of 2002.

The new research and development centre to be established in Fuzhou will employ more high calibre personnel and equipment and will be responsible for the development of quality new products applying the PAT and the research on other new products. During the period under review, the Group had prepared building plans for the research and development centre. The Board expects construction work will commence soon.

PROSPECT

China is a large agricultural country with limited arable land resource and a large population. Ensuring food security will continue to be the most important issue for PRC in the future. Although PRC will import some paddy rice from the world market, especially after entry into World Trade Organization (“WTO”), the majority of paddy rice will most likely be produced domestically. However, at the same time, arable land resources is limited because most arable land had already been cultivated for agricultural use. Therefore, PRC is expected to continue applying pesticides to maximize agriculture production. Pesticides’ demand for paddy rice will still be the dominant factor for future total pesticides’ consumption. The future outlook for the pesticides’ markets in the PRC is very encouraging.

During the 1990’s, pesticides’ production in the PRC increased very rapidly. Overall, the traditional pesticides still account for a large portion of total pesticides’ consumption. With the development of pesticides production technology, and the increasing competition in world pesticides’ markets, especially after PRC’s entry into WTO, most of the traditional pesticides will be phased out quickly. The Board is confident that the Group’s products is in a favorable position due to its high effectiveness, low toxicity, low residue and low dosage characteristics. Being an ideal replacement to traditional pesticides, the Group’s products have excellent market potential.

Leveraging on its strengths such as brand name, capital, technology, the Board expects that the Group’s share in pesticides’ markets will continue to improve. The Group will continue improving business fundamentals to achieve profitability. In 2002, the Board will continue to implement its business plans as disclosed in the prospectus of the Company dated 29th June, 2001.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SECURITIES

As at 31st March, 2002, the interests of the directors and chief executives in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (“SDI Ordinance”)), as recorded in the register maintained by the Company under Section 29 of the SDI Ordinance or as notified to the Company 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.

Save as disclosed above, as at 31st March, 2002, none of the directors, chief executives or their associates had any interests in any securities of the Company or its associated corporations as defined in the SDI Ordinance.

At no time during the period was the Company or its subsidiaries a party to any arrangement to enable the directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debt securities, including 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.

SUBSTANTIAL SHAREHOLDERS

As at 31st March, 2002, 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 of shareholder	Number of shares in the Company	Percentage in shareholdings (%)
Mr. Lao Seng Peng	1,169,479,600	68.8%

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

There were no purchases, redemptions or sales of the Company’s listed securities by the Company or any of its subsidiaries during the period.

SHARE OPTION SCHEME

No option were granted by the Company under the Share Option Scheme during the period since the adoption of the scheme or outstanding as at 31st March, 2002.

COMPETING INTERESTS

The Board is not aware of, as at 31st March, 2002, any business or interest of each director, management shareholder and the respective associates of each that competes or may compete with the business of the Group and any other conflicts of interest which any such person has or may have with the Group.

SPONSOR'S INTERESTS

As notified by the Company's sponsor, Core Pacific-Yamaichi Capital Limited ("CPY Capital"), as at 31st March, 2002, a wholly-owned subsidiary of Core Pacific-Yamaichi International (H.K.) Limited, an associate (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) of CPY Capital, held 520,000 shares in the Company. Save as disclosed herein, neither CPY Capital nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interests in the share capital of the Company as at 31st March, 2002.

Pursuant to the agreement dated 9th July, 2001 entered into between the Company and CPY Capital, whereby, for a fee, CPY Capital will act as the Company's 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 audit committee has reviewed with management with the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters including a review of the unaudited interim report of the quarter ended 31st March, 2002.

On behalf of the Board
Lao Seng Peng
Chairman

Hong Kong, 10th May, 2002

* *For identification purpose only*