



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 2003

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

**The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.**

*This report, for which the directors of Goldigit Atom-tech Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM (“GEM Listing Rules”) of the Stock Exchange for the purpose of giving information with regard to Goldigit Atom-tech Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

- Turnover was approximately HK\$22,116,000, an increase of approximately 21% as compared to the same period in 2002. The increase was mainly attributable to a substantial increase in sales volume owing principally to a reduced selling price of the Group's pesticides during the period and the Group's marketing effort. However, the Group's gross profit margin dropped to approximately 58% as compared to approximately 68% for the same period in 2002 owing to the reduction in selling price.
- Unaudited consolidated profit attributable to shareholders was approximately HK\$6,050,000, a decrease of approximately 43% as compared to the same period in 2002. The decrease was mainly attributable to a significant increase in selling expenses and the provision for PRC income tax (2002: nil).
- Earnings per share dropped approximately 43% to approximately HK0.36 cents from approximately HK0.63 cents.
- The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2003 (2002: nil).

## FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “Board”) of Goldigit Atom-tech Holdings Limited (the “Company”) presents the unaudited consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the three months ended 31st March, 2003, together with the comparative unaudited figures for the corresponding period in 2002, as follows:

		<b>For the three months ended 31st March,</b>	
		<b>2003</b>	<b>2002</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	22,116	18,240
Cost of sales		<u>(9,232)</u>	<u>(5,897)</u>
Gross profit		12,884	12,343
Other operating income		642	467
Selling expenses		(3,603)	(103)
Administrative expenses		<u>(2,225)</u>	<u>(2,076)</u>
Profit before taxation		7,698	10,631
Taxation	3	<u>(1,648)</u>	<u>0</u>
Profit attributable to shareholders		<u>6,050</u>	<u>10,631</u>
Dividends	4	<u>0</u>	<u>0</u>
Earnings per share (HK cents) – Basic	5	<u>0.36</u>	<u>0.63</u>

*Notes:*

**1. Basis of preparation**

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong under the historical cost convention.

The unaudited consolidated results have not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

**2. Turnover**

Turnover represents the net amounts received and receivable for goods sold to outside customers, less returns, allowances and sales tax during the period. As all of the Group's turnover and contribution to operating profit are attributed to the sales of pesticides and are solely derived from the People's Republic of China ("PRC"), the analysis by business segment and geographical location is not presented.

**3. Taxation**

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

Taxation was provided by a subsidiary, Fujian Goldigit Fine Chemical Industry Co., Ltd, ("Fujian Goldigit") in the PRC, based on its estimated assessable profits at the applicable rate of taxation for the three months ended 31st March, 2003. Fujian Goldigit is entitled to an income tax holiday for two years ended 31st December, 2002 and a preferential PRC income tax rate of 15% for three years commencing 1st January, 2003.

**4. Dividends**

The Board does not recommend the payment of an interim dividend for the three months ended 31st March, 2003 (2002: nil).

## 5. Earnings per share

The calculation of the earnings per share is based on the following data:

	<b>For the three months ended 31st March,</b>	
	<b>2003</b>	<b>2002</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings	<u>6,050</u>	<u>10,631</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of shares	1,699,860	1,699,860

No diluted earnings per share has been presented as there were no potential dilutive shares in issue during the three months ended 31st March, 2003 and 2002.

## 6. Reserves

Movements of reserves for the three months ended 31st March, 2003 and 2002 are as follows:

	Exchange reserve	Goodwill reserve	Share premium	Special reserve	Statutory reserve fund	Accumu- lated profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1st January, 2002	(36)	(193)	72,657	73	7,321	47,740	127,562
Profit for the year	-	-	-	-	-	37,411	37,411
2001 final dividends paid	-	-	-	-	-	(20,398)	(20,398)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st December, 2002	(36)	(193)	72,657	73	7,321	64,753	144,575
Profit for the period	-	-	-	-	-	6,050	6,050
Exchange differences arising on translation of financial statements of operation in the PRC	(38)	-	-	-	-	-	(38)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31st March, 2003	<u>(74)</u>	<u>(193)</u>	<u>72,657</u>	<u>73</u>	<u>7,321</u>	<u>70,803</u>	<u>150,587</u>

## **RESULTS OF OPERATIONS**

The Group's turnover increased by approximately 21% from approximately HK\$18,240,000 to approximately HK\$22,116,000. However, profit attributable to shareholders decreased by approximately 43% to approximately HK\$6,050,000 as compared to the corresponding figure recorded in the same period last year; the gross profit margin was approximately 58% as compared to approximately 68% for the same period in 2002.

The increase in sales was related to an increase in overall sales volume following the reduction in selling prices of Jin Zhe Ling No. 1 (formerly known as Sha Shi Ba) and Dao Ying Wen Jing by about 29% and 20% respectively in February 2003. Although the reduction in selling price caused a drop in gross profit margin, the Group still achieved a slight growth in gross profit as compared to the same period in 2002. The decrease in net profit was mainly attributable to a significant increase in selling expenses and the expiration of PRC income tax exemption. Fujian Goldigit is now subject to PRC income tax at a reduced rate of 15% commencing from 1st January, 2003 to 31st December, 2005. The significant increase in selling expenses of approximately HK\$3.5 million was mainly due to the opening of two new sales support centres in Hunan and Nan Chang, expenses relating to the Farmers' Assistance training program and the sales support centres and the launch of a TV advertisement program, none of which existed in the first three months last year.

## **BUSINESS REVIEW**

The Group through its subsidiaries in the PRC is a unique provider of quality chemical pesticides based on the Propulsive Agent technology. The Group's pesticides, namely, Jin Zhe Ling No. 1 (previously known as Sha Shi Ba) and Dao Ying Wen Jing continued to be the core products of the Group and contributed to the Group's overall turnover for the three months ended 31st March, 2003. All of the Group's pesticides are sourced and sold within the PRC.

In 2002, sales of the Group's pesticides experienced considerable pressure owing to the unfavorable weather conditions in the sales regions of the Group and keen competition in the pesticide market. In January 2003, the directors of the Company (the "Directors") reviewed its pricing and credit control policy. In view of the market competition and the need to strengthen its long term relationship with its customers, the selling prices of the Group's products were reduced by approximately 20% to 29% commencing from February 2003. In addition, a credit period of 30 days was granted to customers and the period granted was based on the past trading records of these customers with the Group. For the period under review, credit sale was approximately 39% of the total sales and there was no bad debt experienced by the Group. Sales volume of Dao Ying Wen Jing, the product with a higher profit margin,

increased by about 154% as compared to the same period last year, but that of Jin Zhe Ling dropped by about 22%, mainly attributed to the better feedback from end users on Dao Ying Wen Jing.

During the period under review, the Group expanded its sales network by setting up two new sales support centers in Hunan and Nan Chang. In order to promote its corporate image and products, the Group launched a TV advertising program for the period from 15th February, 2003 to 30th April, 2003. The Directors believe this would further strengthen the brand awareness of the Group's products in the PRC. The Directors will closely monitor the impact of such advertising program on the Group's business.

In November 2001, the Group acquired the land use right of a parcel of land in Quanzhou, Fujian Province, the PRC at a consideration of approximately HK\$5.35 million and a gross floor area of approximately 25,307 square meter. The original intention was to establish an additional plant for the production of the Propulsive Agent products. Owing to town planning modification in the area, the original developer entered into an agreement to repurchase the land from the Group on 4th April, 2003 at a consideration of approximately HK\$5.71 million. As a replacement to this property and to cater for future business development of the Group, an alternative site has been chosen and the Group is in the process of finalizing the acquisition of this property with a gross floor area of 31,341 square meters in Ma Wei District, Fuzhou, Fujian Province, the PRC. As at 31st March, 2003, the Group had paid approximately HK\$27 million for this property. The cost was funded by the net proceeds from the share placement on 6th July, 2001.

During the three months ended 31st March, 2003, the Group maintained ample liquidity and a good financial condition with zero gearing. The Board believes that the Group has sufficient financial resources to fund the current business operations and the future development for the coming years.

## **PROSPECT**

Despite the severe operating environment and keen competition in the market, the Directors are confident of the Group's future since the Group's products are more advanced and user friendly than traditional pesticides and that the selling price of the Group's products is now more in line with that of competing products. The Directors believe that not only will the Group survive the turmoil, it will be well-positioned to capitalize on the opportunity to become a strong player in the PRC pesticide market. The Group does not intend to reduce the selling price of its products further in the near future but will closely monitor any changes in market conditions and adopts the appropriate action to maintain the Group's market share. The Group is now more proactive in promoting its products and the Directors believe that the Group will benefit from this effort. The Directors will closely monitor the effectiveness of the Group's sales and marketing programs and revise the strategy accordingly.



On 8th April, 2003, the Group applied to the Stock Exchange to list the Company's shares by way of introduction on the Main Board of the Stock Exchange and to voluntarily withdraw its listing on the GEM Board conditional upon, among other things, the successful outcome of the application for the proposed listing of the Company's shares on the Main Board. The Group anticipated that upon listing on the Main Board, the Group will be able to gain further recognition from larger institutional investors and in a better position to raise appropriate equity financing to fund capital investment in future.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES**

As at 31st March, 2003, the interests of the directors and chief executive of the Company and their respective associates in the securities of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company under section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.40 to 5.59 of the GEM Listing Rules, were as follows:

<b>Name of director</b>	<b>Number of shares in the Company</b>	<b>Nature of interest</b>
Mr. Lao Seng Peng	1,169,479,600	Corporate ( <i>note</i> )

*Note:* These shares are held by Best Today Investments Limited, a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Lao Seng Peng.

Other than as disclosed above as at 31st March, 2003, none of the directors, chief executive of the Company and their respective associates, had any interests in the securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.40 to 5.59 of the GEM Listing Rules.

## **ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES**

At no time during the period under review was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive 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 neither of the directors nor chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

## **SUBSTANTIAL SHAREHOLDERS**

Other than as disclosed in the section headed “DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS IN SECURITIES”, as at 31st March, 2003, the register of substantial shareholders maintained by the Company under Section 16(1) of the SDI Ordinance disclosed no person having an interest in shares representing 10% or more in the Company’s issued share capital.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

There were no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries during the period under review.

## **SHARE OPTION SCHEME**

There were no option granted by the Company under the Share Option Scheme during the period under review or outstanding as at 31st March, 2003.

## **COMPETING INTERESTS**

The Board is not aware of, as at 31st March, 2003, 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.

## **SPONSORS’ INTERESTS**

Pursuant to the agreement dated 20th February, 2003, entered into between the Company and MasterLink Securities (Hong Kong) Corporation Limited (“MasterLink”), whereby, for a fee, MasterLink will act as the Company’s sponsor for the period from 19th March, 2003 to 31st December, 2003 or until the sponsor agreement is terminated upon the terms and conditions set out therein. As notified by MasterLink, MasterLink, its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) as at 31st March, 2003 did not have any interests in the securities of the Company or any members of the Group, or any rights to subscribe for or to nominate persons to subscribe for the securities of the Company or any members of the Group.

Pursuant to the agreement dated 10th July, 2001 entered into between the Company and Core Pacific – Yamaichi Capital Limited (“CPY Capital”), whereby, for a fee, CPY Capital would act as the Company’s sponsor for the period from 9th July, 2001 to 31st December, 2003. On 19th March, 2003, the sponsor agreement was terminated. As notified by CPY Capital, as at 18th March, 2003, 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 512,000 shares in the Company. Save as disclosed herein, neither CPY Capital nor its directors, 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 during the period from 1st January, 2003 to 18th March, 2003.

#### **AUDIT COMMITTEE**

The audit committee meets regularly with the management to review the accounting principles and practices adopted by the Group and discuss internal control and financial reporting matters including reviews of the quarterly unaudited consolidated financial statements for the three months ended 31st March, 2003. The members of the audit committee are Mr. Sun Juyi, Mr. Wong Stacey Martin and Mr. Lam Ming Yung, who are independent non-executive directors of the Company.

By order of the Board  
**Goldigit Atom-tech Holdings Limited**  
**Lao Seng Peng**  
*Chairman*

13th May, 2003