# 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 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.**

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*This report, for which the directors of Goldigit Atom-tech Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, 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

## RESULTS

| | Three months ended 30th June, 2003 *HK$'000* | Three months ended 30th June, 2002 *HK$'000* |
|---|---|---|
| Turnover | 28,367 | 43,528 |
| Net profit attributable to shareholders | 8,379 | 25,305 |
| Earnings per share – Basic | 0.49 cents | 1.49 cents |

| | Six months ended 30th June, 2003 *HK$'000* | Six months ended 30th June, 2002 *HK$'000* |
|---|---|---|
| Turnover | 50,483 | 61,768 |
| Net profit attributable to shareholders | 14,429 | 35,936 |
| Earnings per share – Basic | 0.85 cents | 2.11 cents |

| | 30th June, 2003 | 31st December, 2002 |
|---|---|---|
| **ASSETS AND LIABILITIES** | | |
| Total assets | 255,303 | 234,978 |
| Total liabilities | (11,344) | (5,410) |
| Shareholders' funds | 243,959 | 229,568 |

- Recorded a decrease of approximately 18.3% in turnover for the half year ended 30th June, 2003 as compared to the same period in 2002.
- Recorded a decrease of approximately 59.8% in net profit attributable to shareholders for the half year ended 30th June, 2003 as compared to the same period in 2002.
- A strong cash position with approximately HK$170.7 million cash at bank and a zero gearing ratio as at 30th June, 2003.

## HALF-YEARLY UNAUDITED FINANCIAL RESULTS

The board of directors (the "Board") of the Company presents the unaudited financial results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30th June, 2003, together with the comparative unaudited figures for the corresponding periods in 2002, as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | For the three months ended 30th June, | | For the six months ended 30th June, | |
|---|---|---|---|---|---|
| | | **2003** | **2002** | **2003** | **2002** |
| | *Notes* | *HK$'000* *(Unaudited)* | *HK$'000* *(Unaudited)* | *HK$'000* *(Unaudited)* | *HK$'000* *(Unaudited)* |
| Turnover | *2* | 28,367 | 43,528 | 50,483 | 61,768 |
| Cost of sales | | (12,295) | (13,927) | (21,527) | (19,824) |
| Gross profit | | 16,072 | 29,601 | 28,956 | 41,944 |
| Other operating income | | 866 | 763 | 1,508 | 1,230 |
| Selling expenses | | (2,359) | (1,713) | (5,962) | (1,816) |
| Administrative expenses | | (4,790) | (2,284) | (7,015) | (4,360) |
| Research and development costs | | – | (1,062) | – | (1,062) |
| Profit before taxation | *3* | 9,789 | 25,305 | 17,487 | 35,936 |
| Taxation | *4* | (1,410) | – | (3,058) | – |
| Net profit attributable to shareholders | | 8,379 | 25,305 | 14,429 | 35,936 |
| Dividends | *5* | – | 20,398 | – | 20,398 |
| Earnings per share (HK cents) – Basic | *6* | 0.49 | 1.49 | 0.85 | 2.11 |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | At 30th June, 2003 HK$'000 (Unaudited) | At 31st December, 2002 HK$'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 74,878 | 40,746 |
| Intangible assets | | 6,110 | 6,580 |
| Deferred tax assets | *4* | 206 | – |
| | | 81,194 | 47,326 |
| **Current assets** | | | |
| Inventories | | 2,039 | 401 |
| Other receivables, prepayment and deposits | | 1,342 | 2,145 |
| Cash and bank balances | | 170,728 | 185,106 |
| | | 174,109 | 187,652 |
| **Current liabilities** | | | |
| Trade and other payables | *7* | 6,975 | 3,483 |
| Accruals | | 2,753 | 1,927 |
| Taxation payable | | 1,616 | – |
| | | 11,344 | 5,410 |
| Net current assets | | 162,765 | 182,242 |
| | | 243,959 | 229,568 |
| **Capital and reserves** | | | |
| Share capital | *8* | 84,993 | 84,993 |
| Reserves | | 158,966 | 144,575 |
| | | 243,959 | 229,568 |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

*FOR THE SIX MONTHS ENDED 30TH JUNE, 2003*

| | Share capital | Share premium | Exchange reserve | Goodwill reserve | Special reserve | Statutory reserve fund | Accumulated profits | Total |
|---|---|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1st January, 2002 | 84,993 | 72,657 | (36) | (193) | 73 | 7,321 | 47,740 | 212,555 |
| Net profit for the period | – | – | – | – | – | – | 35,936 | 35,936 |
| 2001 final dividend paid | – | – | – | – | – | – | (20,398) | (20,398) |
| At 30th June, 2002 | 84,993 | 72,657 | (36) | (193) | 73 | 7,321 | 63,278 | 228,093 |
| At 1st January, 2003 | 84,993 | 72,657 | (36) | (193) | 73 | 7,321 | 64,753 | 229,568 |
| Exchange difference arising on translation of financial statements of operations outside Hong Kong not recognised in income statement | – | – | (38) | – | – | – | – | (38) |
| Net profit for the period | – | – | – | – | – | – | 14,429 | 14,429 |
| At 30th June, 2003 | 84,993 | 72,657 | (74) | (193) | 73 | 7,321 | 79,182 | 243,959 |

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

| | For the six months ended 30th June, | |
|---|---|---|
| | **2003** | **2002** |
| | *HK$'000* | *HK$'000* |
| | *(Unaudited)* | *(Unaudited)* |
| Cash flows from operating activities | 12,418 | 33,836 |
| Cash flows used in investing activities | (26,758) | (8,983) |
| Cash flows used in financing activities | – | (20,398) |
| Net (decrease) increase in cash and cash equivalents | (14,340) | 4,455 |
| Cash and cash equivalents at the beginning of period | 185,106 | 186,583 |
| Effect of exchange rate changes | (38) | – |
| Cash and cash equivalents at the end of the period represented by cash and bank balances | 170,728 | 191,038 |

*Notes:*

**1. Basis of preparation and accounting policies**

The Group's unaudited consolidated financial statements for the six months ended 30th June, 2003 have been prepared in accordance with accounting principles generally accepted in Hong Kong under the historical cost convention. The accounting policies adopted are consistent with those followed in preparation of the Group's audited consolidated financial statements for the year ended 31st December, 2002, except as described below.

In the current period, the Group has adopted Statement of Standard Accounting Practice ("SSAP") 12 (Revised) "Income Taxes". The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred taxation. In the previous years, partial provisions were made for deferred taxation using the income statement liability method, i.e. a liability was recognised in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of the balance sheet liability method, whereby deferred taxation is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. This change in accounting policy has not had any material effect on the prior accounting periods. Accordingly, no prior period adjustment is required.

The unaudited consolidated financial statements for the six months ended 30th June, 2003 have not been audited by the Group's auditors but have been reviewed by the Company's audit committee.

**2. Turnover**

Turnover represents the 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 sales of insecticides and are solely derived from the People's Republic of China (the "PRC"), an analysis of the consolidated turnover and trading results of the Group by business and geographical location is not presented.

## 3. Profit before taxation

Profit before taxation has been arrived at after charging:

| | For the three months ended 30th June, | | For the six months ended 30th June, | |
|---|---|---|---|---|
| | **2003** | **2002** | **2003** | **2002** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* |
| Depreciation of plant and equipment | 635 | 123 | 1,040 | 246 |
| Amortization of intangible assets | 235 | 235 | 470 | 482 |
| Operating lease charges | 39 | 108 | 118 | 216 |
| Staff costs: | | | | |
| Directors' remuneration | 457 | 426 | 743 | 702 |
| Other staff costs | 770 | 523 | 1,397 | 1,067 |
| Retirement benefit costs | 38 | 49 | 77 | 94 |
| | 1,265 | 998 | 2,217 | 1,863 |

## 4. 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 represents the provision for PRC income tax by the PRC subsidiaries at their respective applicable tax rates. The subsidiary, Fujian Goldigit Fine Chemical Industry Co., Ltd. ("Fujian Goldigit"), is exempted from PRC income tax commencing in year 2001 for two years and thereafter a 50% exemption for the next three years at the reduced rate of 15% on its taxable profit. The taxation provided by Fujian Goldigit during the period amounted to approximately HK$2,952,000. For other PRC subsidiaries, the provision for PRC income tax is calculated at the tax rate of 33%.

During the current period, the Group has recognised a deferred tax asset of approximately HK$0.2 million in respect of temporary deductible differences arising.

## 5. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30th June, 2003 (six months ended 30th June, 2002: Nil). A final dividend of HK1.2 cents per share for the year ended 31st December, 2001 was paid in May 2002.

## 6. Earnings per share

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

| | For the three months ended 30th June, | | For the six months ended 30th June, | |
|---|---|---|---|---|
| | **2003** | **2002** | **2003** | **2002** |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* |
| Net profit attributable to shareholders | 8,379 | 25,305 | 14,429 | 35,936 |
| | *'000* | *'000* | *'000* | *'000* |
| Number of shares | 1,699,860 | 1,699,860 | 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 six months ended 30th June, 2003 and 2002.

## 7. Trade and other payables

The following is an aged analysis of trade and other payables:

| | At 30th June, 2003 | At 31st December, 2002 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | *(Unaudited)* | *(Audited)* |
| 0 – 180 days | 6,130 | 3,483 |
| 181 to 365 days | 845 | – |
| | 6,975 | 3,483 |

## 8. Share capital

| | **No. of shares** | *HK$'000* |
|---|---|---|
| | *(Unaudited)* | *(Unaudited)* |
| Shares of HK$0.05 each | | |
| *Authorised:* | | |
| At 1st January, 2003 and 30th June, 2003 | 10,000,000,000 | 500,000 |
| *Issued and fully paid* | | |
| At 1st January, 2003 and 30th June, 2003 | 1,699,860,000 | 84,993 |

**9. Commitments**

| | At 30th June, 2003 | At 31st December, 2002 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| | *(Unaudited)* | *(Audited)* |
| Contracted for but not provided in the financial statements: | | |
| – Acquisition of property, plant and equipment | 2,369 | 8,009 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results of operations

The Group's turnover was approximately HK$50,483,000 for the six months ended 30th June, 2003, a decrease of approximately 18.3% from approximately HK$61,768,000 as compared with the corresponding period in 2002. The decrease in turnover was mainly attributed to the reduced selling price of Jin Ze Ling No.1 and Dao Ying Wen Jing by about 29% and 20% respectively commencing February 2003 and the corresponding decrease in sales volume during the second quarter of 2003. Owing to the outbreak of Severe Acute Respiratory Syndrome ("SARS"), the Group's marketing and distribution activities in the second quarter were temporarily suspended and accordingly, the sales orders in the period decreased. As a result, some of the customers' orders were carried over to the third quarter.

Cost of sales increased by approximately 8.6% from approximately HK$19,824,000 in 2002 to approximately HK$21,527,000 in 2003 which was mainly due to the change in sales mix and the increased depreciation charge in 2003. Accordingly, gross profit decreased by approximately HK$12,988,000 or approximately 31.0% from approximately HK$41,944,000 in 2002 to approximately HK$28,956,000 in 2003. Gross profit margin as a percentage of turnover decreased from approximately 67.9% in 2002 to approximately 57.4% in 2003.

Operating expenses increased by approximately HK$5.8 million from approximately HK$7.2 million in 2002 to approximately HK$13.0 million in 2003. Operating expenses as a percentage of turnover were approximately 25.7% in 2003 as compared to approximately 11.7% in 2002. The increases in operating expenses was a combination of the following factors:

– The increase in selling expenses of approximately HK$4.1 million which was mainly related to the launch of the television advertising program, new sales support centers, and farmers' assistance training program;

– The increase in administrative expenses of approximately HK$2.7 million which was mainly due to the professional fees incurred for the proposed listing of the shares of Company by way of introduction on the Main Board of the Stock Exchange; and

– No research and development expenses being incurred in 2003 as compared to approximately HK$1.1 million in 2002 since most of the Group's core developing projects had entered the final stage of the development.

The Group recognised PRC income tax expenses of approximately HK$3.1 million for the six months ended 30th June, 2003 as compared to none in the corresponding period in 2002. Fujian Goldigit is entitled to an income tax holiday for the two years ended 31st December, 2002 and a preferential PRC income tax rate of 15% for three years commencing from 1st January, 2003 and ending on 31st December, 2005.

**Business review**

The Group is a unique provider of quality chemical pesticides based on the propulsive agent technology. The Group's pesticides, namely, Jin Ze Ling No.1 and Dao Ying Wen Jing have continued to be the core products of the Group and contributed to the Group's overall turnover for the six months ended 30th June, 2003. All of the Group's pesticides were sourced and sold within the PRC.

The demand for the Group's products is subject to the seasonal change. Seasonal usage of pesticides closely follows crop growing patterns, weather conditions, pressure from pests, and customer requirements. Weather conditions can have an impact on the Group's operations since they may influence pest population by impacting gestation cycles for particular pests. The end user of the Group's products may, because of the change in weather conditions, delay or intermittently disrupt field work during the planting season which may result in a reduction of the use of the Group's products. Accordingly, the demand for the Group's products may be affected. Because of the changing and unpredictable weather patterns, measuring the Group's performance on a quarter to quarter basis is not a meaningful indicator for full-year's performance.

In February 2003, in order to strengthen the sales capacity of the Group, the directors of the Company (the "Directors") revised its sales strategy, comprising the reduction in the selling prices of Jin Ze Ling No. 1 and Dao Ying Wen Jing by about 29% and 20% respectively, and the grant of 30 days credit period to respective customers commencing from February 2003. As at 30th June, 2003, all outstanding balance of trade debtors were fully settled. The Group did not have any bad debt or doubtful debt during the six months ended 30th June, 2003.

The Group adopts a more aggressive marketing policy in the PRC by implementing the marketing strategy of using its own brand name and strengthening its effort to build up its corporate image and product promotion. Since August 2001, the Group started to place television advertisements in various provinces in the PRC. Between February and April 2003, two television advertisement programs for the Group's products were launched. The Directors anticipate to place more resources on increasing the brand awareness of the Group's products in the PRC.

The Directors believe that in order to further expand its sales capacity, it is binding to enhance its distribution and servicing capacity. During the current period, the Group established two sales service centres in Hunan and Nan Chang. For the same period, the Group continued to co-operate with various agricultural protection centres to perform demonstration and training programs to farmers in rural areas in five provinces in the PRC, namely, Anhui, Fujian, Guangdong, Jiangsu and Jiangxi. These farmers training programs further consolidated the servicing capacity of the Group.

**Liquidity and financial resources**

As at 30th June, 2003, the Group's working capital was approximately HK$162.8 million, a decrease of approximately HK$19.4 million from approximately HK$182.2 million as at 31st December, 2002. The current ratio was 15.3 as at 30th June, 2003 compared to 34.7 as at 31st December, 2002. As at 30th June, 2003, the Group's current assets decreased by approximately HK$13.5 million and current liabilities increased by approximately HK$5.9 million as compared with the respective balances as at 31st December, 2002. The decrease in current assets mainly resulted from the decrease in cash of approximately HK$14.4 million and the increase in inventory of approximately HK$1.6 million due to the anticipated orders in the third quarter. The increase in current liabilities was mainly due to the increase in other payables and accruals of approximately HK$4.3 million for acquisition of a property in Ma Wei District, Fuzhou, Fujian Province and listing costs in relation to the proposed listing of the shares of the Company on the Main Board of the Stock Exchange, and the increase in tax payable of approximately HK$1.6 million.

For the six months ended 30th June, 2003, cash flows from operating activities were approximately HK$12.4 million in 2003 as compared to approximately HK$33.8 million for the same period in 2002. The decrease was mainly the results of decreased contribution from sales in 2003. Cash flows used in investing activities were approximately HK$26.8 million in 2003 as compared to approximately HK$9.0 million in 2002. The significant increase was due to the acquisition of the property in Ma Wei District, Fuzhou, Fujian Province, the PRC during the period. Cash flows used in financing activities were none as compared to approximately HK$20.4 million in 2002 which was the payment of the final dividend for the financial year ended 31st December, 2001.

As at 30th June, 2003, the Group's shareholders' funds were approximately HK$244.0 million, cash and bank balances were approximately HK$170.7 million. The Group and the Company had no bank facilitates in place and no bank borrowings outstanding as at 30th June, 2003. The Group's gearing ratio, defined as the Group's total borrowings to the shareholders' funds, was zero as at 30th June, 2003.

The Group has historically financed its operations through cash from operations and equity securities. As at 30th June, 2003, other than those disclosed in the condensed unaudited consolidated financial statements, the Group had no material capital expenditure commitments. The Board believes that these sources of funds will be sufficient for the Group's anticipated needs for 2003 and 2004.

## Capital structure

There has been no change in the capital structure of the Company since the listing of shares of the Company on GEM of the Stock Exchange on 9th July, 2001.

## Material acquisitions and disposals of subsidiaries and affiliated companies

There were neither material acquisitions nor disposals of subsidiaries and affiliated companies during the six months ended 30th June, 2003 and 2002.

## Significant investment

On 4th April, 2003, the Group entered into an agreement with the original developer to sell back the land use right of a parcel of land in Quanzhou, Fujian Province, the PRC at a consideration of approximately HK$5.7 million. A gain of approximately HK$0.4 million was recognised from the sale. As a replacement to this property and to cater for future business development of the Group, an alternative site was chosen and the Group acquired a parcel of land with buildings in Ma Wei District, Fuzhou, Fujian Province, the PRC with a gross floor area of approximately 31,341 square meters at a total consideration of approximately HK$33.3 million. As at 30th June, 2003, the Group had paid approximately HK$27.1 million for this property and approximately HK$5.4 million was subsequently paid in July 2003. The remaining balance of approximately HK$0.8 million will be paid in August 2003. The cost of the acquisition was fully funded by the net proceeds from the share placement in July 2001.

Other than those disclosed in the above, the Group and the Company had no significant investment for the six months ended 30th June, 2003 and 2002.

## Charges on the Group's assets

The Group had no charges on the Group's assets as at 30th June, 2003 and 2002.

## Details of future plans for material investment or capital assets

The Group's future plans for material investments or capital assets shall be in line with the details set out in the section of "Statement of Business Objectives" in the prospectus of the Company dated 29th June, 2001 (the "Prospectus").

**Foreign exchange exposure**

The Board believes that the exchange rate risk of the Group is minimal because the Group's business transactions are principally in Renminbi in the PRC, which was relatively stable during the period. No assurance can be given, however, that adverse currency exchange rate fluctuations will not occur in the future. If there was a devaluation of the Renminbi against the Hong Kong dollars, it would adversely affect the Group's performance when measured in Hong Kong dollars.

**Contingent liabilities**

The Group had no contingent liabilities as at 30th June, 2003 and 2002.

**Employee information**

Staff costs, including directors' emoluments were approximately HK$2.2 million for the six months ended 30th June, 2003 (2002: approximately HK$1.9 million). As at 30th June, 2003, the Group has 54 full time employees (2002: 47) of which 5 (2002: 5) were based in Hong Kong and the remaining in the PRC. The Group's employees were remunerated according to the nature of their job duties and the market trend, with discretionary bonuses and benefits of the retirement scheme, share options and necessary training.

**Use of proceeds from the listing**

The net proceeds raised from the listing of the shares of the Company on GEM of the Stock Exchange on 9th July, 2001 were approximately HK$158 million.

During the period from 9th July, 2001 to 30th June, 2003, the Group had incurred the following amounts to achieve the business objectives as set out in the Prospectus:

| | *Notes* | **Planned use of proceeds as stated in the Prospectus to 30th June, 2003**<br>*HK$ million* | **Actual amount used up to 30th June, 2003**<br>*HK$ million* |
|---|---|---|---|
| Development of new products | *1* | 27.1 | 10.4 |
| Investment in research and development centre | *2* | 15.0 | 25.8 |
| Establishment of production base and purchase of equipment and facilitaties | *3* | 31.9 | 39.4 |
| Expansion of sales network | | 11.9 | 1.7 |
| Enhancement of Group's website | | 4.1 | 1.2 |
| Marketing and brand building | | 18.3 | 7.3 |
| Farmers' training programme | | 2.9 | 3.2 |
| | | 111.2 | 89.0 |

The remaining balance of the proceeds has been deposited at banks to prepare for future use as set out in the business development plan in the Prospectus. The Board does not envisage any circumstances which may lead to material alterations as to the proposed use of the net proceeds from the share placement in July 2001.

*Notes:*

1. The under-utilization was attributed to the Group's decision to suspend the development of target propellant new weedicide for paddy, target propellant new fertilizer for paddy and nanotechnology on chemical pesticides.

2. The over-utilization was attributed to the additional cost for the acquisition of the land use right and construction of the research and development centre in Cangshan District, Fuzhou, Fujian Province, the PRC.

3. The over-utilization was attributed to the additional cost for the establishment of production facility in Ma Wei District, Fuzhou, Fujian Province, the PRC.

**Prospects**

The PRC economy is expected to continue to grow rapidly in the next few years and the agricultural industry is expected to be benefited from such growth. This provides a solid foundation for an increasing demand for environmentally friendly and advanced pesticides since these pesticides can reduce emission of hazardous materials into the environment and leave less residue in the agricultural crops. The Directors are confident in the Group's future since the Group's products are more advanced and user friendly than traditional pesticides due to its low toxicity, low residue and low dosage characteristics.

The pesticide market in the PRC remains competitive with a large number of domestic and overseas suppliers. The enhancement of the Group's distribution and servicing capacity guarantees the stability of the after sale services offered by the Group. Following the diminishing impact of SARS in the PRC, the Directors believe that the Group can achieve recovery in sales and continue to achieve profitable results in current year. The Group will continue its marketing strategy to expand its sales and increase its research and development activities to enhance the overall business development.

The Group had made an application to the Stock Exchange on 8th April, 2003 for listing 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, amongst other things, the successful outcome of the application for the proposed listing of the Company's shares on the Main Board. The application is currently being processed by the Stock Exchange. 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. The Group will continue to pursue and focus on its current core business of being a specialty provider of good quality pesticides that develops and markets its own proprietary products for agricultural and commercial uses.

## BUSINESS OBJECTIVES REVIEW

An analysis comparing the business objectives for the six months ended 30th June, 2003 as stated in the Prospectus with the Group's actual business progress in the same period is set out below.

| Business objectives as stated in the Prospectus | Actual business progress for the six months ended 30th June, 2003 |
|---|---|
| Development of new products | **3% fipronil 3%氟蟲腈• 展膜油劑 (鋭勁特):**<br>After the Group was notified by the Ministry of Agriculture to change the pesticide intensity, the field trials were in progress. The Group expects to launch this product by the end of 2004.<br><br>**Target propellant new pesticide on rice borer: (水稻螟蟲):**<br>The field trials were in progress.<br><br>**Target propellant new weedicide for paddy:**<br>The Group decided not to proceed with the development of this product as the test results did not meet the Group's standard. There is no plan to further develop the product.<br><br>**Target propellant new fertilizer for paddy:**<br>The Group decided not to proceed with the development of this product as it was not commercially viable under the then current state of the fertilizer market in the PRC. There is no plan to further develop the product.<br><br>**Mosquito terminator for urban drains:**<br>Research and development works were in progress. The Group had postponed the commencement of the field trial to 2004.<br><br>**Development of nanotechnology on chemical pesticides:**<br>The Group decided not to proceed with the development of this product because of its limited application in chemical pesticides. There is no plan to further develop the product. |

| Business objectives as stated in the Prospectus | Actual business progress for the six months ended 30th June, 2003 |
|---|---|
| Investment in research and development centre | The research and development centre continued the operation of production of propulsive agent and provision of administration activities. The Group was in the progress of sourcing relevant testing equipment. |
| Establishment of production bases and the purchase of equipment and facilities | Due to the modification of the town planning in Quanzhou area, Fujian Province, the Group sold the land in Quanzhou back to the original developer at a consideration of approximately HK$5.7 million.<br><br>The Group has acquired a parcel of land with buildings in Ma Wei District, Fuzhou, Fujian Province at a consideration of approximately HK$33.3 million to establish its production base.<br><br>The Group did not formulate any plan to build a new factory in the Asian region as the Group decided to concentrate its efforts on the PRC market. |
| Expansion of sales network | The sales service centers in Anhui and Jiangsu provinces, the PRC continued its operations. During the current period, the Group established two additional sales service centers in Hunan and Nan Chang.<br><br>The Group did not select any overseas sales office. |
| Enhancement of the Group's website | The Group continued to update information available on the website. |

| Business objectives as stated in the Prospectus | Actual business progress for the six months ended 30th June, 2003 |
|---|---|
| Marketing and brand building of the Group's products | The Group launched a series of television advertisements in various provinces to promote its products in the PRC.<br><br>The Group advertised through posters, brochures, flyers and signs instead of journals and magazines.<br><br>The Group attended conferences and seminars to promote the image of the Group's products in the PRC.<br><br>The Group did not launch any promotion activities in overseas market as the Group decided to concentrate its efforts in the PRC at the moment.<br><br>The Group and agricultural technological units co-operated and initiated training programs for farmers and sales agents in 5 provinces in the PRC. |

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2003, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by Directors as referred to in Rule 5.40 of the GEM Listing Rules, were as follows:

### Long positions in shares

*(a) Interest in the Company:*

| Name of director | Capacity | Number of shares in the Company | Approximate percentage of holding |
|---|---|---|---|
| Lao Seng Peng | Corporate interest | 1,169,479,600 *(note)* | 68.8% |

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

*(b) Interest in an associated corporation:*

| Name | Name of Company | Type of interest | Description of interest |
|---|---|---|---|
| Lao Seng Peng | Best Today | Personal | 1 share of US$1.00 each representing 100% of its issued share capital |

Other than as disclosed above, as at 30th June, 2003, none of the directors, chief executive and their associates, had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which are required (a) to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules relating to the minimum standards of dealing by Directors, to be notified to the Company and the Stock Exchange.

## 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 AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2003, the following persons (other than the directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

### Long position in the shares of the Company

| Name | Capacity | Number of shares | Approximate percentage of holding |
|---|---|---|---|
| Best Today | Beneficial owner | 1,169,479,600 *(note 1)* | 68.8% |
| Lao Seng Peng | Interest of a controlled corporation | 1,169,479,600 *(note 2)* | 68.8% |
| Ip Hong | Interest of spouse | 1,169,479,600 *(note 2)* | 68.8% |

*Notes:*

1. Best Today is a company incorporated in the British Virgin Islands, which is wholly owned by Mr. Lao Seng Peng.

2. Mr. Lao Seng Peng is the owner of the entire issued share capital of Best Today. Mr. Lao Seng Peng and his spouse, Ms. Ip Hong, are taken to be interested in these 1,169,479,600 shares held by Best Today by virtue of the SFO.

Save as disclosed above, as at 30th June, 2003, the Directors are not aware of any other person (other than a director or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company and was required to be recorded in the register required to be kept under Section 336 of the SFO and/or was directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company.

## 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.

## SHARE OPTION SCHEME

There was no option granted by the Company under the Share Option Scheme during the period or outstanding as at 30th June, 2003.

## COMPETING INTERESTS

The Board is not aware of, as at 30th June, 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.

## SPONSOR'S 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 has received and will receive sponsorship fees for acting 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 30th June, 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 GEM Listing Rules) had any interests in the share capital of the Company during the period from 1st January, 2003 to 18th March, 2003.

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied throughout the period with rules 5.28 to 5.39 as set out in the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

## 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 review of the condensed unaudited consolidated financial statements for the six months ended 30th June, 2003. As at 14th August, 2003, the members of the audit committee are Mr. Sun Juyi, Mr. Lam Ming Yung and Mr. Jiang Ming Le, who are independent non-executive directors of the Company. On 31st July, 2003, Mr. Wong Stacey Martin resigned as an independent non-executive directors and a member of the audit committee of the Company. Mr Jiang Ming Le has been appointed as an independent non-executive director and a member of the audit committee of the Company in replacement of Mr. Wong with effect from 31st July, 2003.

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

14th August, 2003