



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 2004

HIGHLIGHTS

RESULTS

	Six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	18,152	50,483
Net profit attributable to shareholders	967	14,429
Earnings per share (<i>HK cents</i>) – Basic	0.06	0.85

ASSETS AND LIABILITIES

	30 June	31 December
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total assets	262,104	268,903
Total liabilities	<u>(4,217)</u>	<u>(11,983)</u>
Shareholders' funds	<u><u>257,887</u></u>	<u><u>256,920</u></u>

- Recorded a decrease of approximately 64.0% in turnover for the six months ended 30 June 2004 as compared to the same period in 2003.
- Recorded a decrease of approximately 93.3% in net profit attributable to shareholders for the six months ended 30 June 2004 as compared to the same period in 2003.
- Maintained a healthy liquidity position with no bank borrowings and zero gearing ratio as at 30 June 2004.

UNAUDITED INTERIM RESULTS

The board of directors (the “Board”) of Goldigit Atom-tech Holdings Limited (the “Company”) presents the interim report and unaudited condensed financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2004. The consolidated income statements, consolidated cash flow statement and consolidated statement of changes in equity for the Group for the six months ended 30 June 2004, and the consolidated balance sheet as at 30 June 2004 of the Group, all of which are unaudited and condensed, along with selected explanatory notes, are set out on page 2 to 8 of this report.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 JUNE 2004

		Six months ended 30 June	
		2004	2003
	Notes	HK\$'000	HK\$'000
Turnover	2	18,152	50,483
Cost of sales		<u>(9,369)</u>	<u>(21,527)</u>
Gross profit		8,783	28,956
Other operating income		819	1,508
Selling expenses		(2,733)	(5,962)
Administrative expenses		(4,914)	(7,015)
Research and development costs		<u>(141)</u>	<u>–</u>
Profit before taxation	3	1,814	17,487
Taxation	4	<u>(847)</u>	<u>(3,058)</u>
Net profit attributable to shareholders		<u>967</u>	<u>14,429</u>
Dividends	5	<u>–</u>	<u>–</u>
Earnings per share (HK cents) – Basic	6	<u>0.06</u>	<u>0.85</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2004 AND 31 DECEMBER 2003

		30 June 2004	31 December 2003
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		56,604	58,887
Investment properties		46,607	46,607
Intangible assets		5,170	5,640
Deferred tax assets		141	141
		<hr/>	<hr/>
		108,522	111,275
Current assets			
Inventories		2,263	24
Trade receivables	7	1,208	0
Other receivables, prepayment and deposits		1,601	1,127
Cash and bank balances		148,510	156,477
		<hr/>	<hr/>
		153,582	157,628
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Current liabilities			
Trade and other payables	8	1,833	10,116
Accruals		2,032	1,360
Taxation payable		352	507
		<hr/>	<hr/>
		4,217	11,983
		-----	-----
Net current assets		<hr/>	<hr/>
		149,365	145,645
		<hr/>	<hr/>
		257,887	256,920
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	9	84,993	84,993
Reserves		172,894	171,927
		<hr/>	<hr/>
		257,887	256,920
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Share capital	Share premium	Exchange reserve	Goodwill reserve	Special reserve	Statutory reserve fund	Accumu- lated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 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 30 June 2003	<u>84,993</u>	<u>72,657</u>	<u>(74)</u>	<u>(193)</u>	<u>73</u>	<u>7,321</u>	<u>79,182</u>	<u>243,959</u>
At 1 January 2004	84,993	72,657	(36)	(193)	73	7,321	92,105	256,920
Net profit for the period	-	-	-	-	-	-	967	967
At 30 June 2004	<u>84,993</u>	<u>72,657</u>	<u>(36)</u>	<u>(193)</u>	<u>73</u>	<u>7,321</u>	<u>93,072</u>	<u>257,887</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2004

	Six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash (outflow) inflow from operating activities	(7,967)	12,418
Cash flows used in investing activities	—	(26,758)
Net (decrease) in cash and cash equivalents	(7,967)	(14,340)
Cash and cash equivalents as at 1 January	156,477	185,106
Effect of exchange rate changes	—	(38)
Cash and cash equivalents as at 30 June represented by cash and bank balances	<u>148,510</u>	<u>170,728</u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed financial statements are prepared in accordance with Hong Kong Statements of Standard Accounting Practice 25, Interim Financial Reporting, issued by the Hong Kong Society of Accountants.

These condensed financial statements should be read in conjunction with the 2003 annual financial statements.

The accounting policies and method of computation used in the preparation of these condensed financial statements are consistent with those followed in the annual financial statements for the year ended 31 December 2003.

The unaudited condensed financial statements for the six months ended 30 June 2004 have not been audited by the Group's auditors but have been reviewed by the 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 the Group is engaged in the development and distribution of pesticides and all of the consolidated turnover and trading results of the Group for the period is derived in 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:

	Six months ended 30 June	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	2,282	1,040
Amortisation of intangible assets	470	470
Operating lease charges in respect of premises	79	118
Staff costs:		
Directors' remuneration	821	743
Other staff costs	1,564	1,397
Retirement benefit costs	87	77
	<u>2,472</u>	<u>2,217</u>

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.

Income tax on profits arising from the PRC has been provided based on the prevailing tax rates applicable to the respective companies.

5. Dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

6. Earnings per share

The calculation of the basic earnings per share for the period is based on the profit for the period of HK\$967,000 (2003: HK\$14,429,000) and on the 1,699,860,000 (2003: 1,699,860,000) shares in issue. No diluted earnings per share is presented as the Group had no dilutive potential shares in issue.

7. Trade receivables

The following is an aged analysis of trade receivables:

	30 June 2004 <i>HK\$'000</i>	31 December 2003 <i>HK\$'000</i>
0 – 30 days	1,208	0

8. Trade and other payables

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

	30 June 2004	31 December 2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 180 days	–	9,317
181 to 365 days	1,034	–
Over 365 days	799	799
	<u>1,833</u>	<u>10,116</u>
	<u><u>1,833</u></u>	<u><u>10,116</u></u>

9. Share capital

	No. of shares	HK\$'000
Shares of HK\$0.05 each		
<i>Authorised:</i>		
At 1 January 2004 and 30 June 2004	<u>10,000,000,000</u>	<u>500,000</u>
<i>Issued and fully paid:</i>		
At 1 January 2004 and 30 June 2004	<u>1,699,860,000</u>	<u>84,993</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Results of operations

The Group's turnover was HK\$18,152,000, a decrease of HK\$32,331,000 or 64.0% as compared to HK\$50,483,000 in 2003. The decrease in turnover was the result of an overall decrease in demand for the Group's products due to increasing competition in the PRC. Net profit attributable to shareholders was HK\$967,000, a 93.3% decrease as compared to HK\$14,429,000 in 2003.

Gross profit was HK\$8,783,000 decreased by HK\$20,173,000 or 69.7% as compared to HK\$28,956,000 in 2003. Gross profit margin as a percentage of turnover decreased from 57.4% in 2003 to 48.4% in 2004. The decrease in gross profit margin was mainly due to the increased depreciation charge in 2004, resulting in increasing cost of sales.

Operating expenses decreased by HK\$5.2 million from HK\$13.0 million in 2003 to HK\$7.8 million in 2004. Decreases in selling expenses (HK\$3.2 million) and administrative expenses (HK\$2.1 million) were respectively attributed to television advertisements expenses for the promotion of the Group's products in 2003, and professional fees incurred for the listing of the Company's shares on the Main Board of the Stock Exchange in 2003.

Business review

The Group is a 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 contributed to the Group's overall turnover for the six months ended 30 June 2004. All of the Group's pesticides were sourced and sold within the PRC.

During the period, the Group recorded an overall decrease in demand for the Group's products. A major negative factor is that the pressure on prices for the chemical pesticides industry has remained strong due to an oversupply of chemical pesticides in the PRC. European Union had banned over 60 chemical pesticides exported by the other suppliers in the PRC since 2004, resulted to increasing competition. Furthermore, after China's accession into World Trade Organisation, import of pesticides at lower prices and competitive quality has substantially increased.

As competition is very intense, the Group does not anticipate the pressure on prices can be alleviated in the near future. This increasing competition will negatively impact the Group's sales revenue and trading results in the year 2004. The Group anticipates that its results for this year ending 31 December 2004 will be adversely affected.

During the period, research and development works on mosquito terminator for urban drains, 3% fipronil and target propellant new pesticide on rice borer were in progress. On 23 July 2004, the Group was notified by State Intellectual Property Office of the PRC to proceed registration of a patent applied by the Group on 16 October 2000, details of which was set out in the Company's Listing Document of 29 September 2003. The Group expects to obtain the patent registration certificate by the end of 2004.

Liquidity, financial resources and capital structure

Liquidity and financial resources

As at 30 June 2004, the Group's working capital was HK\$149.4 million, an increase of HK\$3.8 million from HK\$145.6 million as at 31 December 2003. The current ratio was 36.4 as at 30 June 2004 compared to 13.2 at 31 December 2003. Net cash outflow from operating activities was HK\$8.0 million as compared to cash inflow of HK\$12.4 million in 2003. This was attributed to decreases in net profit, other payables and accruals, and increases in trade receivables.

As at 30 June 2004, the Group's shareholders' funds were approximately HK\$257.9 million, cash and bank balances were HK\$148.5 million. The Board believes that the Group has sufficient working capital to meet its present requirements.

Capital structure

There was no change in the capital structure of the Company during the period.

Material acquisitions and disposals of investments

There were neither material acquisitions nor disposals of subsidiaries and affiliated companies during the period.

Significant investment

There were no significant investments during the period. At 30 June 2004, the Group had no material commitments for future capital expenditures.

Charges on the Group's assets

The Group had no charges on its assets as at 30 June 2004.

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2004.

Indebtedness

Borrowings and gearing ratio

As at 30 June 2004, the Group had no bank borrowings outstanding and gearing ratio, measured by total borrowings to the shareholders' funds, was zero.

Foreign exchange exposure

The directors 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.

Employee information

The total staff costs, including directors' emoluments, amounted to HK\$2.5 million for the period (2003: HK\$2.2 million). As at 30 June 2004, the Group had 55 full time employees (2003: 54) of which 5 (2003: 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 option scheme and necessary training.

Outlook

In the first half of 2004, the Group faces severe operating environment. The Group's results suffered from decreased sales revenue of its products, oversupply of pesticides and increasing competition in the PRC.

In the second half of 2004, the business environment is expected to remain challenging. The Group's operating performance during the second half should reflect the seasonal effects on its business activities as noted in previous years, to reach a level lower than that achieved during the first six months of the year.

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

As at 30 June 2004, the interests of the directors and chief executive and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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) to be recorded in the register required to be kept pursuant to Section 352 of the SFO; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange were as follows:

Long positions in the shares of the Company

Name of director	Capacity	Number of shares	Percentage of shareholding
Lao Seng Peng ("Mr. Lao")	Held by controlled corporation	1,169,479,600 (<i>note</i>)	68.8%

Note: Such shares are held by Best Today Investments Limited ("Best Today"), a company incorporated in the British Virgin Islands, and wholly owned by Mr. Lao. Mr. Lao was deemed to have interests in the shares of the Company by virtue of being the legal and beneficial owner of the entire issued share capital of Best Today.

Other than as disclosed above, none of the directors or chief executive or any of their associates, had any relevant interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2004.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the directors and chief executive to acquire benefits by means of the acquisition of shares in, or debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests disclosed above in respect of the directors and chief executive, the Company has not been notified of any other interests representing 5% or more of the Company's issued share capital as at 30 June 2004.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

No option has been granted by the Company since the adoption of the Share Option Scheme.

COMPETING INTERESTS

None of the directors and their respective associates had an interest in a business that competes or may compete with the business of the Group.

CORPORATE GOVERNANCE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules. Having made specific enquiry of all directors, all directors have confirmed that they had complied with the required standard set out in the Model Code and its code of conduct regarding directors' securities transactions during the period.

The Company has complied throughout the period with the Code of Best Practice as set out in Appendix 14 to the Listing Rules.

AUDIT COMMITTEE

The audit committee was formed in June 2001. 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 unaudited condensed financial statements for the six months ended 30 June 2004.

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

20 September 2004

As at the date of this report, the Board comprises (i) Lao Seng Peng, Cai Wei Min, Yeh Tung Ming and Wong Kin Ping as executive directors; and (ii) Sun Juyi, Lam Ming Yung and Jiang Ming Le as independent non-executive directors.