

KO YO GROUP<08042> – Results Announcement (Q1, 2006, Summary)

Ko Yo Ecological Agrotech (Group) Limited announced on 10/05/2006:
(stock code: 08042)

Year end date :31/12/2006
 Currency :RMB
 Auditors' report :N/A
 1st Quarterly Report Reviewed by :Audit Committee

Important Note :

This result announcement form only contains extracted information from and should be read in conjunction with the detailed results announcement of the issuer, which can be viewed on the GEM website at <http://www.hkgem.com>

Unaudited	Unaudited	
	Current	Last
Corresponding	Period	
Period	from	from
01/01/2005	01/01/2006	01/01/2005
31/03/2005	to 31/03/2006	to 31/03/2005
RMB' 000	RMB' 000	
Turnover	:	177,434
142,924		
Profit/(Loss) from Operations	:	15,424
15,793		
Finance cost	:	(1,166)
(1,745)		
Share of Profit/(Loss) of Associates	:	N/A
N/A		
Share of Profit/(Loss) of Jointly	:	N/A
Controlled Entites	:	N/A
N/A		
Profit/(Loss) after Taxation & MI	:	12,493
12,011		

% Change Over the Last Period	:	+4.01%	
EPS / (LPS)			
Basic (in dollar)	:	RMB 2.96	RMB
2.85			
Diluted (in dollar)	:	N/A	
N/A			
Extraordinary (ETD) Gain/(Loss)	:	N/A	
N/A			
Profit (Loss) after ETD Items	:	12,493	12,011
1st Quarter Dividends per Share	:	NIL	
NIL			
(specify if with other options)	:	N/A	
N/A			
B/C Dates for 1st Quarter Dividends	:	N/A	
Payable Date	:	N/A	
B/C Dates for (-) General Meeting	:	N/A	
Other Distribution for Current Period	:	NIL	
B/C Dates for Other Distribution	:	N/A	

(bdi: both days inclusive)

For and on behalf of
Ko Yo Ecological Agrotech (Group) Limited

Signature :
Name : Man Au Vivian
Title : Director

Responsibility statement

The directors of the Company (the "Directors") as at the date hereof hereby collectively and individually accept full responsibility for the accuracy of the information contained in this results announcement form (the "Information") and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief the Information are accurate and complete in all material respects and not misleading and that there are no other matters the omission of which would make the Information herein inaccurate or misleading. The Directors acknowledge that the Stock Exchange has no responsibility whatsoever with regard to the Information and undertake to indemnify the Exchange against all liability incurred and all losses suffered by the Exchange in connection with or relating to the Information.

Remarks:

1. Basis of preparation

The Hong Kong Institute of Certified Public Accountant ("HKICPA") has undertaken to converge by 1 January 2005 all Hong Kong Financial Reporting Standards ("HKFRSs") with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. As a result, the HKICPA had aligned HKFRSs with the requirements of IFRSs in all materials respects as at 31 December 2004. The accounts have been prepared under the historical cost convention.

The adoption of HKFRS 2 has resulted in a change in accounting policy for employee share options. Prior to this, the provision of share options to employees did not result in a charge to the profit and loss account. Following the adoption of HKFRS 2, the fair value of share options at grant date is amortised over the relevant vesting periods to the profit and loss account. The Company has not applied this HKFRS retrospectively as share options of the Company granted after 7 November 2002 had vested at 1 January 2005.

The adoption of HKFRS 3 has resulted in a change in the accounting policy for negative goodwill. Prior to this, negative goodwill was recognized as income on a straight-line basis in the profit and loss account over the remaining weighted average useful life of assets acquired of 30 years. In accordance with the provision of HKFRS 3, the carrying amount of previously recognized negative goodwill as at 1 January 2005 shall be derecognized with a corresponding adjustment to the opening balance of retained earnings.

The adoption of other new HKFRS does not result in substantial changes to the Group's accounting policies except certain presentation and disclosure of the accounts will be affected.

2. Turnover

Turnover represents the net amounts received and receivable for chemical products and chemical fertilizers sold, less returns and allowances and value-added taxes, if applicable, during the three-month period. The Group's revenues are primarily generated in the People's Republic of China (the "PRC").

3. Taxation

No provision for profits tax in the Cayman Islands, the British

Virgin Islands or Hong Kong has been made, as the Group had no assessable profit arising in or derived from those jurisdictions during the three months ended 31 March 2006.

Chengdu Ko Yo Chemical Industry Co., Ltd. ("Chengdu Ko Yo Chemical"), Chengdu Ko Yo Compound Fertilisers Co., Ltd. ("Chengdu Ko Yo Compound"), Dezhou Ko Yo Compound Fertiliser Co., Ltd. ("Dezhou Ko Yo Compound"), Dazhou City Dazhu Ko Yo Chemical Industry Co., Ltd. ("Dazhu Ko Yo Chemical") and Qingdao Ko Yo Chemical Co., Ltd. ("Qingdao Ko Yo Chemical") were established as foreign investment enterprises in the PRC. They are subject to Enterprise Income Tax ("EIT") at the rate of 15%, 15%, 33%, 15% and 15% respectively, and are entitled to full exemption from EIT in the first two profitable years and a 50% reduction for the next three years thereafter.

The preferential EIT rate applicable for Chengdu Ko Yo Chemical in 2006 is 15%. Pursuant to relevant taxation regulations of the PRC and as approved by the local taxation bureau, Chengdu Ko Yo Chemical was entitled to deduct from its EIT expenses for an amount of 40% of cost of certain machinery acquired from the PRC enterprises, which are local machinery suppliers and unrelated to the Group. Accordingly, EIT provision made for Chengdu Ko Yo Chemical for the three months ended 31 March 2006 was RMB1,310,000.

The EIT provision made for and preferential EIT rate applicable to Chengdu Ko Yo Compound for the three months ended 31 March 2006 are approximately RMB455,000 and 7.5%.

Dezhou Ko Yo Compound, Dazhu Ko Yo Chemical and Qingdao Ko Yo Chemical did not have EIT payable for the three months ended 31 March 2006.

4. Earnings per share

The calculation of basic earnings per share for the three months ended 31 March 2006 is based on the consolidated profit attributable to shareholders of approximately RMB12,493,000 (2005: RMB12,011,000) and the weighted average number of approximately 421,820,000 (2005: 421,820,000) ordinary shares in issue during the periods. Diluted earnings per share is not presented as there were no dilutive potential ordinary shares.

5. Dividend

The Board does not recommend the payment of interim dividend for the three months ended 31 March 2006 (31 March 2005: Nil).