

KO YO GROUP<08042> – Results Announcement (Q2, 2006, Summary)

Ko Yo Ecological Agrotech (Group) Limited announced on 10/08/2006:  
(stock code: 08042 )

Year end date :31/12/2006  
 Currency :RMB  
 Auditors' report :N/A  
 2nd 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 01/01/2006	from
01/01/2005	to 30/06/2006	to
30/06/2005	RMB' 000	
RMB' 000		
Turnover	:	349,865
314,615		
Profit/(Loss) from Operations	:	35,314
33,477		
Finance cost	:	(3,457)
(3,668)		
Share of Profit/(Loss) of Associates	:	N/A
N/A		
Share of Profit/(Loss) of Jointly	:	
Controlled Entites	:	N/A
N/A		
Profit/(Loss) after Taxation & MI	:	28,235
25,148		

% Change Over the Last Period	:	+12.28%	
EPS / (LPS)			
Basic (in dollar)	:	RMB 0.0638	RMB
0.0596			
Diluted (in dollar)	:	RMB 0.0636	
N/A			
Extraordinary (ETD) Gain/(Loss)	:	N/A	
N/A			
Profit (Loss) after ETD Items	:	28,235	25,148
2nd Quarter Dividends per Share	:	HK 0.5 cent	HK 0.5 cent
(specify if with other options)	:	N/A	
N/A			
B/C Dates for 2nd Quarter Dividends	:	05/09/2006 to 07/09/2006	bdi.
Payable Date	:	27/09/2006	
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 interim financial statements were unaudited, which have been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements set out in Chapter 18 of the Rules Governing the Listing of the Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

## 2. Principal accounting policies

The HKICPA has undertaken to converge by 1 January 2005 all Hong Kong Financial Reporting Standards ("HKFRS") with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. As a result, the HKICPA had aligned HKFRS with the requirements of IFRSs in all material 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 negative goodwill as at 1 January 2005 shall be derecognized with a corresponding adjustment to the opening balance of retained earnings, which increased the retained earnings by approximately RMB12,366,000.

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.

### 3. Turnover

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

Turnover consisted of the following products:

	Six months ended 30 June 2006 (unaudited)		Six months ended 30 June 2005 (unaudited)	
	RMB' 000	%	RMB' 000	%
BB & complex fertilizers	167,879	48.0%	166,948	53.1%
Sodium carbonate	44,950	12.8%	51,596	16.4%
Ammonium chloride	20,287	5.8%	27,368	8.7%
Urea	110,440	31.6%	52,066	16.5%
Ammonia	3,554	1.0%	6,606	2.1%
Ammonium bicarbonate	2,359	0.7%	10,031	3.2%
Others	396	0.1%	ND	ND
	349,865	100%	314,615	100%

### 4. 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 six months ended 30 June 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 six months ended 30 June 2006 was RMB2,971,000.

The EIT provision made for and preferential EIT rate applicable to Chengdu Ko Yo Compound for the six months ended 30 June 2006 are approximately RMB692,000 and 7.5%.

Dezhou Ko Yo Compound, Dazhu Ko Yo Chemical and Qingdao Ko Yo Chemical did not have assessable profit for the six months ended 30 June 2006.

The amount of taxation charged to the unaudited condensed consolidated profit and loss account represents:

	Six months ended 30 June	
	2006	2005
	RMB' 000	RMB' 000
EIT in the PRC	3,663	4,667
Deferred tax	(41)	(35)
	3,622	4,632

## 5. Earnings per share

The calculation of the basic and diluted earnings per share for the three months and six months ended 30 June, 2006 and 2005 were based on:

	Three months ended		Six months ended	
	30 June		30 June	
	2006	2005	2006	2005
	RMB' 000	RMB' 000	RMB' 000	RMB' 000
Profit for the period	15,742	13,137	28,235	25,148

Weighted average number of shares for calculation of basic earnings per share	463,358,462	421,820,000	442,703,978	421,820,000
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Effect of dilutive potential shares on the outstanding share options	6,344,544	N/A	1,426,575	N/A
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Weighted average number of shares for calculation of diluted earnings per share	469,703,006	N/A	444,130,553	N/A
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#### 6. Dividend

The Board has resolved the payment of an interim dividend at HK0.5 cent per share to the shareholders whose names appear on the register of members of the Company as at the close of business on 7 September 2006. The dividend will be payable on 27 September 2006. The dividend as declared should not be taken as an indication of the level of profit or dividend for the full year.