

**KO YO ECOLOGICAL AGROTECH (GROUP) LTD:  
CAN YOU BELIEVE THIS ?**

Whoever put together the Prospectus of Ko Yo Ecological Agrotech (Group) Ltd (Code: 8042, The Growth Enterprise Market [The GEM] of The Stock Exchange of Hongkong) made a whopping mistake – because careful analysis of the Prospectus appears to have let the proverbial cat, screaming out of the bag.

At Page 156 of the Prospectus, under Note 17. Accounts Receivable, it is stated that the Company had, as at December 31, 2002, about 27.44 million renminbi, being Trade Receivables, aged less than 3 months.

Comparing that figure of 27.44 million renminbi with the 2001 Balance Sheet Date figure of about 2.58 million renminbi, it would suggest, prima facie, that the 2002 Balance Sheet Trade Receivables were relatively brand new Trade Receivables.

The Turnover of this manufacturer of chemical fertilisers in the People's Republic of China (PRC) for the Financial Year, ended December 31, 2002, was about 277.57 million renminbi.

That figure of 277.57 million renminbi was an increase, Year-on-Year, of about 113.03 million renminbi, equivalent to nearly 69 percent.

Ergo: The increase in the Company's Turnover must have taken place between October 2002 and December 2002.

Ergo: The increase in the Bottom Line, which rose by about 102 percent, Year-on-Year, took place in the final quarter of the 2002 Financial Year.

On the assumption that the increases in the Turnover and Bottom Line are coincidental with this Company, seeking and obtaining a listing on The GEM, it is propitious, to say the least.

If, on the other hand, the increases in the Turnover and the Bottom Line was engineered in order to dress up the Books of Ko Yo Ecological Agrotech, then, in the Australian lingo, it is termed: *'Salting the Mine'*.

Whoever it was who determined to put this Prospectus together should have done a better job than to make it appear that the Company's increase in business only took place at the tail end of the 2002 Financial Year.

Shame! Shame! Shame!

**The Flotation**

Ko Yo Ecological Agrotech went public on June 30, 2003, when it Offered a total of 128 million, 10-cent Shares at a Premium of between 30 cents per Share and 60 cents per Share.

Of the total number of Shares on Offer, 94 million New Shares were Placed, and 21.20 million Shares were Placed by Mr Li Wei Ruo, the Chairman of the Board of Directors (12.80 million Shares), and Mr Yuan Bai, the Executive Vice President (8.40 million shares).

The amount of money, obtained in this cash-raising exercise, is to be used as follows:

1. \$HK18 million to be used for the establishment of additional production facilities;
2. \$HK5 million for the development of new products;
3. \$HK5 million for advertising expenses; and,
4. \$HK1 million to be thrown in the General Working Capital Account.

The history of this Company goes all the way back to 1999 – just 4 years, ago – when the Founder, Mr Li Wei Ruo, determined to change the course of his Company, from trading in copper, wood and other commodities, to the production and sales of chemical fertilisers. (Page 51 of the Prospectus)

The ingenuity of Mr Li Wei Ruo is something ... [CLICK TO ORDER FULL ARTICLE](#)

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