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AGROCAN CORP
Form 10QSB
February 14, 2001

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the Quarterly Period Ended December 31, 2000

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-25963

AGROCAN CORPORATION

(Exact name of small business issuer as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

CLI Building, 313 Hennessy Road, Suite 1003, Hong Kong

(Address of principal executive offices)

011-852-2519-3933

(Issuer's telephone number)

Not applicable

(Former name, former address and former fiscal year, if changed since last
report.)

Check whether the issuer (1) filed all reports required to be filed by Section
13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter
period that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.
Yes No

As of December 31, 2000, the Company had 2,334,970 shares of common stock issued
and outstanding.

Transitional Small Business Disclosure Format: Yes No
Documents incorporated by reference: None.

AGROCAN CORPORATION

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AGROCAN CORPORATION
CONSOLIDATED BALANCE SHEET (UNAUDITED)
DECEMBER 31, 2000

| | USD | RMB |
|--------------------------------------|-----------|------------|
| | | |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 141,216 | 1,172,090 |
| Accounts receivable, net | 4,846,719 | 40,227,766 |
| Other receivables and prepayments | 479,911 | 3,983,258 |
| Inventories | 357,095 | 2,963,896 |
| Deposits | 60,288 | 500,387 |
| Amount due from related parties | 359,248 | 2,981,759 |
| | | |
| TOTAL CURRENT ASSETS | 6,244,477 | 51,829,156 |
| PROPERTY, PLANT AND EQUIPMENT - NET | 777,240 | 6,451,100 |
| DEFERRED COSTS | 25,103 | 208,353 |
| | | |
| TOTAL ASSETS | 7,046,820 | 58,488,609 |
| | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES | | |
| Short-term bank loans | 120,482 | 1,000,000 |
| Short-term loans-unsecured | 479,543 | 3,980,211 |
| Accounts payable | 2,564,389 | 21,284,433 |
| Other payables and accruals | 246,011 | 2,041,891 |
| Notes payable | 49,880 | 414,000 |

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| | | |
|-------------------------------|-----------|------------|
| Income tax payable | 98,494 | 817,501 |
| Deposit received | 178,510 | 1,481,629 |
| Amount due to related parties | 446,156 | 3,703,092 |
| | ----- | |
| TOTAL CURRENT LIABILITIES | 4,183,465 | 34,722,757 |
| MINORITY INTEREST | 133,367 | 1,106,949 |

(Continue)
See notes to consolidated financial statements.

AGROCAN CORPORATION
CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)
DECEMBER 31, 2000

| | | |
|---|-----------|------------|
| SHAREHOLDERS' EQUITY | | |
| Preferred stock, par value US\$0.0001 per share, authorized 10,000,000 shares; none issued | | |
| Common stock, par value US\$0.0001 per share, authorized 25,000,000 shares; issued and outstanding 2,334,970 shares at December 31, 2000 | 233 | 1,934 |
| Capital in excess of par value | 1,358,385 | 11,274,599 |
| Retained earnings | | |
| Unappropriated | 1,313,147 | 10,899,116 |
| Appropriated | 56,049 | 465,204 |
| Other comprehensive income | 2,175 | 18,050 |
| | ----- | |
| TOTAL SHAREHOLDERS' EQUITY | 2,729,988 | 22,658,903 |
| | ----- | |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 7,046,820 | 58,488,609 |
| | ===== | |

See notes to consolidated financial statements.

AGROCAN CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
THREE MONTHS ENDED DECEMBER 31, 2000 AND 1999

| | 2000 | 2000 | 1999 |
|---------------|---------|-----------|------------|
| | USD | RMB | RMB |
| NET SALES | 264,956 | 2,199,132 | 10,592,800 |
| COST OF SALES | 198,917 | 1,651,009 | 8,805,562 |
| | ----- | ----- | ----- |

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| | | | |
|--|----------|-----------|-------------|
| GROSS PROFIT | 66,039 | 548,123 | 1,787,238 |
| ADMINISTRATIVE AND GENERAL EXPENSES | (94,779) | (786,668) | (1,045,523) |
| SELLING EXPENSES | (2,400) | (19,921) | (60,500) |
| | | | ----- |
| INCOME (LOSS) FROM OPERATIONS | (31,140) | (258,466) | 681,215 |
| OTHER INCOME (EXPENSE) | | | |
| Interest income | - | - | 18,561 |
| Interest expense | (1,280) | (10,626) | - |
| Amortization of loan fees | (18,212) | (151,153) | (154,071) |
| | | | ----- |
| INCOME (LOSS) BEFORE INCOME TAXES | (50,632) | (420,245) | 545,705 |
| INCOME TAXES | 3,365 | 27,926 | 1,221 |
| | | | ----- |
| INCOME (LOSS) BEFORE MINORITY INTEREST | (53,997) | (448,171) | 544,484 |
| MINORITY INTEREST | 2,721 | 22,582 | 79,368 |
| | | | ----- |
| NET INCOME (LOSS) | (51,276) | (425,589) | 623,852 |
| | | | ===== |

(Continued)

AGROCAN CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (UNAUDITED) (CONTINUED)
THREE MONTHS ENDED DECEMBER 31, 2000 AND 1999

| | | | |
|--|-----------|-----------|-----------|
| OTHER COMPREHENSIVE INCOME (LOSS) | | | |
| Foreign currency translation adjustments | | - | - (1,983) |
| COMPREHENSIVE INCOME (LOSS) | (51,276) | (425,589) | 621,869 |
| | | | ===== |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | | |
| Basic | 2,334,970 | 2,334,970 | 2,170,646 |
| Diluted | 2,334,970 | 2,334,970 | 2,512,361 |
| BASIC EARNINGS (LOSS) PER SHARE | (0.02) | (0.18) | 0.29 |
| | | | ----- |
| DILUTED EARNINGS (LOSS) PER SHARE | (0.02) | (0.18) | 0.25 |
| | | | ----- |

See notes to consolidated financial statements

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| AGROCAN CORPORATION | | | |
|--|-----------|-------------|-------------|
| CONSOLIDATED STATEMENTS OF CASH FLOWS | | | |
| (UNAUDITED) | | | |
| THREE MONTHS ENDED DECEMBER 31, 2000 AND 1999 | | | |
| | 2000 | 2000 | 1999 |
| | USD | RMB | RMB |
| OPERATING ACTIVITIES | | | |
| Net income (loss) | (51,276) | (425,589) | 623,852 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | | |
| Amortization of deferred costs | 18,212 | 151,153 | 183,276 |
| Depreciation | 17,982 | 149,245 | 149,983 |
| Minority interest | (2,721) | (22,582) | (79,368) |
| Increase in accounts receivable | (264,690) | (2,196,926) | (9,461,640) |
| (Increase) decrease in other receivables, deposits and prepayments | (429,933) | (3,568,436) | 339,731 |
| Increase in inventories | (21,264) | (176,495) | (3,026,974) |
| Decrease in amounts due from related parties | 92,420 | 767,091 | 356,537 |
| Increase in accounts payable | 15,035 | 124,791 | 4,012,568 |
| Decrease in income tax payable | (3,593) | (29,823) | - |
| Increase in other payables and accruals | 76,153 | 632,075 | 3,927,077 |
| Increase in amounts due to related parties | 4,819 | 39,991 | - |
| | | | |
| Net cash used in operating activities | (548,856) | (4,555,505) | (2,974,958) |
| | | | |
| INVESTING ACTIVITIES | | | |
| Additions to property, plant and equipment | (36,517) | (303,091) | (181,172) |
| | | | |
| Net cash used in investing activities | (36,517) | (303,091) | (181,172) |
| | | | |

(Continued)

| AGROCAN CORPORATION | | | |
|---|---------|-----------|-----------|
| CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) | | | |
| (UNAUDITED) | | | |
| THREE MONTHS ENDED DECEMBER 31, 2000 AND 1999 | | | |
| FINANCING ACTIVITIES | | | |
| Repayment of short term bank loan | - | - | (700,000) |
| Increase in note payable | 49,880 | 414,000 | - |
| Short term bank loan | 120,482 | 1,000,000 | 381,000 |
| | | | |
| Net cash provided by financing activities | 170,362 | 1,414,000 | (319,000) |
| | | | |

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| | | | |
|---|-----------|-------------|-------------|
| Net decrease in cash and cash equivalents | (415,011) | (3,444,596) | (3,475,130) |
| Cash and cash equivalents, beginning | 556,227 | 4,616,686 | 5,027,798 |
| Effect of exchange rate changes on cash | - | - | (1,983) |
| | | | |
| Cash and cash equivalents, ending | 141,216 | 1,172,090 | 1,550,685 |
| | | | |

See notes to consolidated financial statements

AGROCAN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) THREE MONTHS ENDED DECEMBER 31, 2000 AND 1999

1. THE INTERIM FINANCIAL STATEMENTS

The interim financial statements have been prepared by AgroCan Corporation and in the opinion of management, reflect all material adjustments which are necessary to a fair statement of results for the interim periods presented, including normal recurring adjustments. Certain information and footnote disclosures made in the most recent annual financial statements included in the Company's Form 10-KSB for the year ended September 30, 2000 have been condensed or omitted for the interim statements. It is the Company's opinion that, when the interim statements are read in conjunction with the September 30, 2000 financial statements, the disclosures are adequate to make the information presented not misleading. The results of operations for the three months ended December 31, 2000 and 1999 are not necessarily indicative of the operating results for the full fiscal year.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amount of revenues and expenses during the reporting periods. Management makes these estimates using the best information available at the time the estimates are made; however, actual results could differ materially from those results.

2. INVENTORIES

Inventories at December 31, 2000 are comprised of the following:

| | |
|----------------|-----------|
| | RMB |
| Raw materials | 2,511,887 |
| Finished goods | 452,009 |
| | ----- |
| | 2,963,896 |
| | ===== |

3. SHORT-TERM BANK LOANS

During the three months ended December 31, 2000, one of the Company's subsidiaries arranged a short-term bank loan of RMB 1,000,000 to fund operations, which bears interest at 7.254% and is due on May 19, 2001.

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4. INCOME TAXES:

During the three months ended December 31, 2000, the Company recorded income taxes of RMB 27,926. The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled. The Company's British Virgin Islands subsidiary is not liable for income taxes. As manufacturing companies, the Company's PRC subsidiaries operate in special zones, which entitles them to a reduced national income taxes rate of 24%, and the subsidiaries are exempt from local income tax. Further, pursuant to the approval of the relevant PRC tax authorities, the subsidiaries are fully exempted from PRC income taxes for two years starting from the date profits are first recognized, followed by a 50% exemption for the next three years.

5. EARNINGS PER SHARE:

Basic earnings per share is based on the weighted average shares of common stock outstanding. Diluted earnings per share assumes the conversion, exercise or issuance of all potential common stock instruments such as options, warrants and convertible securities, unless the effect is to reduce loss per share or increase earnings per share.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Cautionary Statement Pursuant to Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995:

This Quarterly Report on Form 10-QSB for the quarterly period ended December 31, 2000 contains "forward-looking" statements within the meaning of the Federal securities laws. These forward-looking statements include, among others, statements concerning the Company's expectations regarding sales trends, gross and net operating margin trends, political and economic matters, the availability of equity capital to fund the Company's capital requirements, and other statements of expectations, beliefs, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. The forward-looking statements in this Quarterly Report on Form 10-QSB for the quarterly period ended December 31, 2000 are subject to risks and uncertainties that could cause actual results to differ materially from those results expressed in or implied by the statements contained herein.

Overview:

AgroCan Corporation (the "Company") was incorporated on December 8, 1997 in the State of Delaware. Effective December 31, 1997, the Company issued 1,598,646 shares of common stock, which represented all of the capital stock outstanding at the completion of this transaction, to the shareholders of AgroCan (China) Inc., a corporation incorporated in the British Virgin Islands, in exchange for all of the capital stock of AgroCan (China) Inc. As of December 31, 1997, AgroCan (China) Inc. owned interests in three subsidiaries or joint ventures as follows: Jiangxi Jiali Chemical Industry Company Limited (100%), Jiangxi Fenglin Chemical Industry Company Limited (70%), and Guangxi Linmao Fertilizer Company Limited (100%), all of which are located in the People's Republic of China ("China" or the "PRC"). Prior to this transaction, the Company had no significant operations. This transaction was accounted for as a recapitalization of AgroCan (China) Inc., as the shareholders of AgroCan (China) Inc. acquired all of the capital stock of the Company in a reverse acquisition. Accordingly, the assets and liabilities of AgroCan (China) Inc. have been recorded at historical cost, and the shares of common stock issued by the Company have been reflected in the consolidated financial statements giving

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retroactive effect as if the Company had been the parent company from inception. The historical consolidated financial statements consist of the combined financial statements of AgroCan (China) Inc. and its subsidiaries from the dates of their respective formation or acquisition for all periods presented. All share and per share amounts presented herein have been adjusted to reflect the two for one stock split effective February 6, 1998.

AgroCan (China) Inc. was established in 1996 to develop, produce and sell fertilizers and other products and technologies to enhance the agricultural output of China. The Company produces various compound fertilizers, which are the end product made from the combination of three primary nutrients, nitrogen, phosphate and potassium, mixed together with other elements such as iron, zinc, copper and manganese. These ingredients are blended in different proportions and packed into 50-kilogram bags. The Company designs its compound fertilizers for specific climate, soil and crop requirements of each individual geographic market. As of December 31, 2000, the Company had established an annual production capacity of 125,000 metric tons for compound fertilizers in Guangxi and Jiangxi, two of the largest agricultural provinces in China, and the Company intends to enter markets in other provinces in China.

Effective October 8, 1996, AgroCan (China) Inc. entered into a joint venture agreement with Nanchang Organic Fertilizer Factory, a state-owned enterprise in the PRC, for the establishment of a Sino-Foreign Equity Joint Venture, Jiangxi Fenglin Chemical Industry Company Limited ("Jiangxi Fenglin"). In exchange for capital contributions to Jiangxi Fenglin aggregating RMB 2,090,642 through September 30, 1998, AgroCan (China) Inc. received a 70% equity interest in the joint venture. Jiangxi Fenglin commenced operations on November 28, 1996, and became fully operational during the fiscal year ended September 30, 1998. The Company accounts for its interest in the joint venture similar to a majority-owned subsidiary because of its 70% interest, its contractual ability to appoint four out of six directors to the Board of Directors, which is the highest authority for the joint venture, and the Company's right to appoint the Chairman of the Board. The Company recognizes that joint venture interests in the PRC are generally not consolidated in the financial statements of companies that report under the periodic reporting requirements of the United States Securities and Exchange Commission due to the rights asserted by the PRC partner under customary joint venture agreements. However, in view of the above factors specific to the Company, management believes that it is appropriate to consolidate the joint venture's operations into the Company's consolidated financial statements.

AgroCan (China) Inc. also owns 100% of Jiangxi Jiali Chemical Industry Company Limited ("Jiangxi Jiali").

The consolidated financial statements of the Company include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. All material intercompany balances and transactions are eliminated at consolidation. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States and have been presented in Chinese Renminbi ("RMB"). The functional currency of the Company's PRC operations is the RMB. The accounts of foreign operations are prepared in their local currency and are translated into RMB using the applicable rate of exchange. The resulting transaction adjustments are included in comprehensive income (loss). Transactions denominated in currencies other than the RMB are translated into RMB at the applicable exchange rates. Monetary assets and liabilities denominated in other currencies are translated into RMB at the applicable rate of exchange at the balance sheet date. The resulting exchange gains or losses are credited or charged to the consolidated statements of operations.

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Consolidated Results of Operations:

Three Months Ended December 31, 1999 and 2000:

Sales. The sales for the three months ended December 31, 2000 were RMB 2,199,132, as compared to sales of RMB 10,592,800 for the three months ended December 31, 1999, decrease of RMB 8,393,668 or 79.2%. The decrease in sales in 2000 as compared to 1999 was a result of the delay in the planting schedule as a result of bad weather and as a result of the Chinese New Year holiday occurring earlier than usual. However, subsequent to December 31, 2000, the Company has increased production levels and management believes that sales for the year ended September 30, 2001 will approximate 80%-90% of prior year levels.

Gross Profit. Gross profit for the three months ended December 31, 2000 was RMB 548,123 or 24.9% of sales, as compared to RMB 1,787,238 or 16.9% of sales for the three months ended December 31, 2000. The gross profit margin increased in 2000 as compared to 1999 as a result of the Company raising its prices to focus on higher-margin customers, although total gross profit decreased as a result of the decline in revenue.

Administrative and General Expenses. Administrative and general expenses for the three months ended December 31, 2000 were RMB 786,668 or 35.8% of sales, as compared to RMB 1,045,523 or 9.9% of revenue for the three months ended December 31, 1999, decrease of RMB 258,855. In view of the reduced level of sales and production during the quarter ended December 31, 2000, management was able to reduce administrative and general expense, primarily travel expense, office expense and discretionary wages.

Selling Expenses. Selling expenses for the three months ended December 31, 2000 were RMB 19,921 or 0.9% of revenues, as compared to RMB 60,500 or 0.6% of revenues for the three months ended December 31, 1999, decrease of RMB 40,579. Selling expenses decreased in 2000 as compared to 1999 as a result of reduction in sales arising because of the Chinese New Year Holiday occurring earlier than usual, and also as a result of the bad weather and the ensuing delay in the planting season.

Income from Operations. Loss from operations was RMB 258,466 for the three months ended December 31, 2000, as compared to income from operations of RMB 681,215 for the three months ended December 31, 1999. Primarily as a result of the decrease in sales.

Other Income (Expense). The Company recorded amortization of loan fees of RMB 151,153 and RMB 154,071 for the three months ended December 31, 2000 and 1999, respectively.

The Company recorded interest expense of RMB 10,626 for the three months ended December 31, 2000 and had interest income of RMB 18,561 for the three months ended December 31, 1999.

Income Taxes. The Company recognized income taxes of RMB 27,926 and RMB 1,221 for the three months ended December 31, 2000 and 1999, respectively. The Company is subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled. The Company's British Virgin Islands subsidiary is not liable for income taxes. The Company's PRC subsidiaries are subject to income taxes at an effective rate of 33%. Pursuant to the approval of the relevant PRC tax authorities, the subsidiaries are fully exempted from PRC income taxes for two years starting from the date profits are first recognized, followed by a 50% exemption for the next three years.

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Minority Interest. For the three months ended December 31, 2000 and 1999, the Company recorded a minority interest expense of RMB 22,582 and RMB 79,368, respectively, to reflect the interest of the Company's 30% joint venture partner in the net loss of Jiangxi Fenglin.

Net Income / Loss. Net loss was RMB 425,589 for the three months ended December 31, 2000, as compared to a net income of RMB 623,852 for the three months ended December 31, 1999. Primarily as a result of the decrease in sales.

Consolidated Financial Condition:

Liquidity and Capital Resources - December 31, 2000

Operating. For the three months ended December 31, 2000, the Company's operations utilized cash resources of RMB 4,555,505, as compared to utilizing cash resources of RMB 2,974,958 for the three months ended December 31, 1999. The Company's operations utilized more cash resources in 2000 as compared to 1999 primarily as a result of increases in accounts receivable and inventories. The increase in accounts receivable and inventories was financed in substantial part by advances from customers. At December 31, 2000, cash and cash equivalents had decreased by RMB 3,444,596, to RMB 1,172,090, as compared to RMB 4,616,686 at September 30, 2000. The Company had working capital of RMB 17,106,399 at December 31, 2000, as compared to RMB 17,557,262 at September 30, 2000, resulting in current ratios of 1.49:1 and 1.54:1 at December 31, 2000 and September 30, 2000, respectively.

Accounts receivable. Accounts receivable increased by RMB 2,196,926, to RMB 40,227,766 at December 31, 2000, from RMB 38,030,840 at September 30, 2000. Accounts receivable increased during the three months ended December 31, 2000 as a result of extending credit terms offered to certain credit-worthy customers.

Inventories. Inventories increased by RMB 176,495, to RMB 2,963,896 at December 31, 2000, from RMB 2,787,401 at September 30, 2000. Inventories increased during the three months ended September 31, 2000 in anticipation of the forthcoming selling season during the spring.

Amount due to related parties. Amount due to related parties decreased by RMB 767,091, to RMB 2,981,759 at December 31, 2000, from RMB 3,748,850 at September 30, 2000.

Investing. During the three months ended December 31, 2000 and 1999, additions to property, plant and equipment aggregated RMB 303,091 and RMB 181,172, respectively.

Financing. During the three months ended December 31, 2000, one of the Company's subsidiaries arranged short-term bank loans of RMB 1,000,000 to fund operations, which will be repaid during this fiscal year. During the period subsequent to December 31, 2000, approximately 50% of accounts receivable balances were remitted, and management believes that, as a result of these receipts, no additional borrowings will be necessary in the near-term.

The Company anticipates, based on currently proposed plans and assumptions relating to its existing operations, that its projected cash flows from operations, combined with cash that the Company expects to generate from the issuance of its securities and from borrowings, will be sufficient to support its planned operations for the next twelve months. Depending on the Company's rate of growth, the Company may seek additional capital in the future to support expansion of operations and acquisitions.

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Inflation and Currency Matters:

In recent years, the Chinese economy has experienced periods of rapid economic growth as well as relatively high rates of inflation, which in turn has resulted in the periodic adoption by the Chinese government of various corrective measures designed to regulate growth and contain inflation. Since 1993, the Chinese government has implemented an economic program designed to control inflation, which has resulted in the tightening of working capital available to Chinese business enterprises. The success of the Company depends in substantial part on the continued growth and development of the Chinese economy.

Foreign operations are subject to certain risks inherent in conducting business abroad, including price and currency exchange controls, and fluctuations in the relative value of currencies. Changes in the relative value of currencies occur periodically and may, in certain instances, materially affect the Company's results of operations. In addition, the Renminbi is not freely convertible into foreign currencies, and the ability to convert the Renminbi is subject to the availability of foreign currencies.

Effective December 1, 1998, all foreign exchange transactions involving the Renminbi must take place through authorized banks in China at the prevailing exchange rates quoted by the People's Bank of China. The Company expects that a portion of its revenues will need to be converted into other currencies to meet foreign exchange currency obligations, including the payment of any dividends declared.

Although the central government of China has repeatedly indicated that it does not intend to devalue its currency in the near future, recent announcements by the central government of China indicate that devaluation is an increasing possibility. Should the central government of China decide to devalue the Renminbi, the Company does not believe that such an action would have a detrimental effect on the Company's operations, since the Company conducts virtually all of its business in China, and the sale of its products is settled in Renminbi. However, devaluation of the Renminbi against the United States dollar would adversely affect the Company's financial performance when measured in United States dollars.

New Accounting Pronouncement:

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"), which is effective for financial statements for all fiscal quarters of all fiscal years beginning after June 15, 2000. SFAS No. 133 standardizes the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, by requiring that an entity recognize those items as assets or liabilities in the statement of financial position and measure them at fair value. SFAS No. 133 also addresses the accounting for hedging activities. The Company will adopt SFAS No. 133 for its fiscal year beginning October 1, 2000. The Company does not expect that adoption of SFAS No. 133 will have a material impact on its financial statement presentation or disclosures.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Sales of Equity Securities

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During the three months ended December 31, 2000, the Company did not issue any shares of common stock.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Financial Data Schedule (electronic filing only)

(b) Reports on Form 8-K:

Three Months Ended December 31, 2000 - None

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AGROCAN CORPORATION

(Registrant)

Date: February 12, 2001

By: /s/ LAWRENCE HON

Lawrence Hon
President and Chief
Executive Officer)
(Duly Authorized
Officer)

Date: February 12, 2001

By: /s/ DONALD LAU

Donald Lau
Chief Financial Officer
(Principal Financial
and Accounting Officer)