AGROCAN CORP
Form 10QSB
August 14, 2002

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

FORM 10-QSB

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

For the Quarterly Period Ended June 30, 2002

[ ] 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	N/A
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

Suite 706, Dominion Centre, 43-59 Queen's Road East, 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 [X] No [ ]
As of June 30, 2002, the Company had 3,393,304 shares of common stock issued and outstanding.
Transitional Small Business Disclosure Format: Yes [ ] No [X]
Documents incorporated by reference: None.

AGROCAN CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AGROCAN CORPORATION
CONSOLIDATED BALANCE SHEET (UNAUDITED)

	June 30, 2002		September 30, 2001
	USD	RMB	RMB
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 40,530	336,401	591,864
Accounts receivable, net	1,295,451	10,752,242	12,748,777
Other receivables and prepayments	78,215	649,188	625,772
Inventories	499,807	4,148,396	1,453,528
Deposits	13,979	116,027	155,801
Amount due from related parties, net	483,244	4,010,928	3,618,173
TOTAL CURRENT ASSETS	2,411,226	20,013,182	19,193,915
ADVANCES RECEIVABLE, NET	984,200	8,168,860	8,168,860
PROPERTY, PLANT AND EQUIPMENT, NET	724,455	6,012,976	6,143,437
TOTAL ASSETS	$4,119,881	34,195,018	33,506,212
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			

Short-term bank loan	$ 120,482	1,000,000	1,993,000
Short-term loans-unsecured	447,013	3,710,212	3,410,212
Accounts payable	160,854	1,335,091	2,266,412
Other payables and accruals	127,419	1,057,571	1,171,615
Income tax payable	81,530	676,695	777,015
Deposits received	384,180	3,188,695	780,404
Amount due to related parties	357,208	2,964,825	4,349,334
TOTAL LIABILITIES, ALL CURRENT	1,678,686	13,933,089	14,747,992
MINORITY INTEREST	130,479	1,082,974	1,119,624
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 3,393,304 shares at June 30, 2002	339	2,816	2,224
Capital in excess of par value	1,746,750	14,498,029	12,257,029
Retained earnings			
Unappropriated	415,635	3,449,771	4,151,004
Appropriated	145,818	1,210,289	1,210,289
Other comprehensive income	2,175	18,050	18,050
TOTAL SHAREHOLDERS' EQUITY	2,310,717	19,178,955	17,638,596
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$4,119,881	34,195,018	33,506,212

See notes to consolidated financial statements

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AGROCAN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
THREE MONTHS ENDED JUNE 30, 2002 AND 2001

	2002	2002	2001
	USD	RMB	RMB
NET SALES	$ 622,109	5,163,505	9,027,035
COST OF SALES	503,874	4,182,156	6,677,600
GROSS PROFIT	118,235	981,349	2,349,435
ADMINISTRATIVE AND GENERAL EXPENSES	(137,136)	(1,138,229)	(740,547)
SELLING EXPENSES	(29,610)	(245,767)	(399,793)

INCOME (LOSS) FROM OPERATIONS	(48,511)	(402,647)	1,209,095
OTHER INCOME (EXPENSE)			
Interest income	5,920	49,132	4,111
Interest expense	(2,857)	(23,710)	(32,630)
Amortization of loan fees	-	-	(57,200)
INCOME (LOSS) BEFORE INCOME TAXES	(45,448)	(377,225)	1,123,376
INCOME TAXES	(6,410)	(53,199)	(59,981)
INCOME (LOSS) BEFORE MINORITY INTEREST	(51,858)	(430,424)	1,063,395
MINORITY INTEREST	3,224	26,763	(27,952)
NET INCOME (LOSS)	$ (48,634)	(403,661)	1,035,443
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustments	-	-	26,287
COMPREHENSIVE INCOME (LOSS)	(48,634)	(403,661)	1,061,730
WEIGHTED AVERAGE SHARES OUTSANDING			
Basic and diluted	3,061,630	3,061,630	2,318,318
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$ (0.02)	(0.13)	0.46

See notes to consolidated financial statements

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AGROCAN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)
NINE MONTHS ENDED JUNE 30, 2002 AND 2001

	2002	2002	2001
	USD	RMB	RMB
NET SALES	$1,197,145	9,936,302	15,633,080
COST OF SALES	978,160	8,118,724	11,731,418
GROSS PROFIT	218,985	1,817,578	3,901,662
ADMINISTRATIVE AND GENERAL EXPENSES	(262,227)	(2,176,486)	(2,336,922)
SELLING EXPENSES	(46,165)	(383,168)	(645,274)

INCOME (LOSS) FROM OPERATIONS	(89,407)	(742,076)	919,466
OTHER INCOME (EXPENSE)			
Interest income	17,888	148,472	39,169
Interest expense	(6,440)	(53,453)	(64,370)
Amortization of loan fees	-	-	(359,506)
INCOME (LOSS) BEFORE INCOME TAXES	(77,959)	(647,057)	534,759
INCOME TAXES	(10,943)	(90,826)	(144,810)
INCOME (LOSS) BEFORE MINORITY INTEREST	(88,902)	(737,883)	389,949
MINORITY INTEREST	4,416	36,650	1,670
NET INCOME (LOSS)	$ (84,486)	(701,233)	391,619
OTHER COMPREHENSIVE INCOME			
Foreign currency translation adjustments	-	-	26,287
COMPREHENSIVE INCOME (LOSS)	(84,486)	(701,233)	417,906
WEIGHTED AVERAGE SHARES OUTSANDING			
Basic and diluted	2,906,883	2,906,883	2,318,318
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$ (0.03)	(0.25)	0.18

See notes to consolidated financial statements

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AGROCAN CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED JUNE 30, 2002 AND 2001

	2002	2002	2001
	USD	RMB	RMB
OPERATING ACTIVITIES			
Net (loss) income	$ (84,486)	(701,233)	391,619
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Amortization of deferred costs	-	-	359,507
Common shares issued for directors remuneration	90,000	747,000	-
Depreciation	56,176	466,262	547,736
Minority interest in net loss	(4,416)	(36,650)	(1,670)
Decrease in accounts receivable	240,546	1,996,535	23,898,633
Decrease (increase) in other receivables, deposits			

and prepayments	1,971	16,358	(11,553,160)
Increase in inventories	(324,683)	(2,694,868)	(818,540)
Increase in amounts due from related parties	(47,320)	(392,755)	(8,843,237)
Decrease in accounts payable	(112,207)	(931,321)	(20,147,876)
Decrease in income tax payable	(12,087)	(100,320)	(178,621)
(Increase) decrease in other payables and accurals	(13,740)	(114,044)	3,711,650
Increase (decrease) in deposits received	290,156	2,408,291	(826,147)
Increase (decrease) in amounts due to related parties	13,263	110,083	479,971
Net cash (used in) provided by operating activities	93,173	773,338	(12,980,135)
INVESTING ACTIVITIES			
Additions to property, plant and equipment	(40,458)	(335,801)	(707,836)
Net cash used in investing activities	(40,458)	(335,801)	(707,836)
FINANCING ACTIVITIES			
Repayment of short term bank loan	(119,639)	(993,000)	-
Repayment of short term loans - unsecured	-		(570,000)
Proceeds from short term loans - unsecured	36,145	300,000	-
Short term bank loan	-	-	10,000,000
Net cash (used in) provided by financing activities	(83,494)	(693,000)	9,430,000
Net decrease in cash and cash equivalents	(30,779)	(255,463)	(4,257,971)
Cash and cash equivalents beginning	71,309	591,864	4,616,686
Effect of exchange rate changes on cash	-	-	26,287
Cash and cash equivalents end	$ 40,530	336,401	385,002
Supplemental schedule of non-cash investing and financing activities:			
Common shares issued for amounts due to related parties	180,071	1,494,592	

See notes to consolidated financial statements

AGROCAN CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
NINE MONTHS ENDED JUNE 30, 2002 AND 2001
(UNAUDITED)
(EXPRESSED IN RENMINBI)

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 our Form 10-KSB for the year ended September 30, 2001, have been condensed or omitted for the interim statements. It is our opinion that, when the interim statements are read in conjunction with the September 30, 2001 financial statements, the disclosures are adequate to make the information presented not misleading. The results of operations for the nine months ended June 30, 2002 and 2001 are not necessarily indicative of the operating results for the full fiscal year, as the Company's business fluctuates in accordance with planting seasons resulting in increased revenues in the second and third quarters.

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.

The Company reported a 36.4% decrease in sales during the nine months ended June 30, 2002 compared to the nine months ended June 30, 2001. The Company believes that it has adequate funds to support operations for the current fiscal year ending September 30, 2002.

To address its on-going and long-term cash needs, the Company plans to initiate discussions with investment banks and financial institutions and attempt to raise funds to support current and future operations. This includes attempting to raise additional working capital through the sale of additional capital stock or through additional bank or third party borrowings. The Company cannot provide any assurance that it will be able to raise any such funds.

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2. INVENTORIES

Inventories at June 30, 2002 and September 30, 2001 are comprised of the following:

	JUNE 30, 2002		SEPTEMBER 30, 2001
	USD	RMB	RMB
RAW MATERIALS	$190,842	1,583,985	1,020,669
FINISHED GOODS	308,965	2,564,411	432,859
	$499,807	4,148,396	1,453,528

3. SHORT-TERM BANK LOANS

As of June 30, 2002, the Company has a bank loan of RMB1,000,000 (US$120,482) which is due on April 19, 2003 and bears interest at 5.325% per annum.

4. INCOME TAXES

During the nine months ended June 30, 2002, our subsidiaries recorded an income tax of RMB 90,826. We are subject to income taxes on an entity basis on income arising in or derived from the tax jurisdiction in which each entity is domiciled. Our British Virgin Islands subsidiary is not liable for income taxes. Our PRC subsidiaries comprise two wholly owned foreign enterprises and a 70% held Sino-Foreign Equity Joint Venture. PRC Companies are generally subject to income taxes at an effective rate of 33% (30% Chinese national income tax plus 3% Chinese state income tax). Two of our PRC subsidiaries, Fenglin and Linmao, are manufacturing companies operating in special zones, and they are entitled to a reduced national income taxes rate of 24%. All the subsidiaries are exempt from state income tax. Further, pursuant to the approval of the relevant PRC tax authorities, all the subsidiaries have been granted a "tax holidays", whereby the subsidiaries are fully exempted from PRC income taxes for two years starting from the year profits are first made, followed by a 50% exemption for the next three years. In 1999, the two-year, 100% exemption expired for Fenglin and Linmao, subjecting them to income tax at a rate of 12%. Effective January 1, 2001, the two-year, 100% exemption expired for Jiali and it became subject to income tax at a rate of 15%. Losses incurred by PRC companies may be carried forward for five years. Deferred tax assets and liabilities are not considered material at June 30, 2002 and 2001.

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.

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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 June 30, 2002 contains "forward-looking" statements within the meaning of the Federal securities laws. These forward-looking statements include, among others, statements concerning our expectations regarding sales trends, gross and net operating margin trends, political and economic matters, the availability of equity capital to fund our 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 June 30, 2002 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 was incorporated on December 8, 1997 in the State of Delaware. Effective December 31, 1997, we 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.

Prior to the above transaction, we had no material operations. The AgroCan China 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. were recorded at historical cost, and the shares of common stock issued by the company were reflected in the consolidated financial statements giving retroactive effect as if we had been the parent company from inception.

We, through AgroCan (China) Inc., currently own 100% interest in two wholly-owned subsidiaries, Guangxi Linmao Fertilizer Company Limited ("Guangxi Linmao") and Jiangxi Jiali Chemical Industry Company Limited ("Jiangxi Jiali"). We, through AgroCan (China) Inc., also own a 70% interest in Jiangxi Fenglin Chemical Industry Company Limited, a Sino-Foreign Equity Joint Venture ("Jiangxi Fenglin"). All of the aforementioned entities are located in the People's Republic of China ("China" or the "PRC").

We account for our interest in Jiangxi Fenglin similar to a majority-owned subsidiary because of our 70% interest, our contractual ability to appoint four out of six directors to the Board of Directors, which is the highest authority for the joint venture, and our right to appoint the Chairman of the Board. Due to the rights asserted by the PRC partner under customary joint venture

agreements, 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. However, as a result of the aforementioned factors specific to Jiangxi Fenglin, management believes that it is appropriate to consolidate the joint venture's operations into our consolidated financial statements.

We produce various compound fertilizers. These ingredients used are blended in different proportions and packed into 50 kilogram bags. As of September 30, 2001, we have 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 we intend to enter markets in other provinces in China.

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 translation 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. For all purposes in this report, unless otherwise specifically stated, the U.S. dollar equivalent for the PRC Renminbi is the official exchange rate of 8.277 RMB=$1.00 (U.S.).

Consolidated Results of Operations:

Three Months Ended June 30, 2002 and 2001:

Sales. The sales for the three months ended June 30, 2002 were RMB 5,163,505 as compared to sales of RMB 9,027,035 for the three months ended June 30, 2001, a decrease of RMB 3,863,530 or 42.8%. The decrease was due to lower demands from our major customers. Since it is close to the end of the planting season, management believes that sales for the year ended September 30, 2002 will approximate 75% of prior year levels.

Gross Profit. Gross profit for the three months ended June 30, 2002 was RMB 981,349 or 19% of revenues, as compared to RMB 2,349,435 or 26% of revenues for the three months ended June 30, 2001. The gross profit margin decreased in 2002 as compared to 2001 as a result of lower sales prices to attract new customers.

Administrative and General Expenses. Administrative and general expenses for the three months ended June 30, 2002 were RMB 1,138,229 or 22% of revenues, as compared to RMB 740,547 or 8.2% of revenues for the three months ended June 30, 2001, an increase of RMB 397,682. The increase of administrative and general expenses is mainly due to director's remuneration of RMB 747,000 for the three quarters of the current fiscal year.

Selling Expenses. Selling expenses for the three months ended June 30, 2002 were RMB 245,767 or 4.8% of revenues, as compared to RMB 399,793 or 4.4% of revenues for the three months ended June 30, 2001, a decrease of RMB 154,026. Selling expenses decreased in 2002 compared to 2001 as a result of reduced sales due to the lower demand from major customers.

Income / Loss from Operations. Loss from operations was RMB 402,647 for the three months ended June 30, 2002, as compared to an income from operations of RMB 1,209,095 for the three months ended June 30, 2001.

Other Income (Expense). We recorded interest income of RMB 49,132 and RMB 4,111 for the three months ended June 30, 2002 and 2001, respectively.

We recorded interest expense of RMB 23,710 and RMB 32,630 for the three months ended June 30, 2002 and 2001, respectively. As of June 30, 2002, we had extended a bank loan of RMB 1,000,000 (US$120,482) which was originally due at June 19, 2002. The bank loan bears interest at 5.325% per annum and is due at April 19, 2003.

We recorded amortization of loan fees of RMB 0 and RMB 57,200 for the three months ended June 30, 2002 and 2001, respectively.

Income Taxes. During the three months ended June 30, 2002, we recorded income tax of RMB 53,199. We recognized income tax expense of RMB 59,981 for the three months ended June 30, 2001.

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Minority Interest. For the three months ended March 31, 2002 and 2001, we recorded a minority interest of RMB 26,763 and RMB (27,952) respectively, to reflect the interest of the Company's 30% joint venture partner in the net income of Jiangxi Fenglin.

Net Income / Loss. Net loss was RMB 403,661 for the three months ended June 30, 2002, as compared to a net income of RMB 1,035,443 for the three months ended June 30, 2001. The reason for recording net loss for the three months ended June 30, 2002 while recording net income for the three months ended June 30, 2001 was primarily the result of the increasing administrative and general expenses due to director's remuneration.

Nine Months Ended June 30, 2002 and 2001:

Sales. The sales for the nine months ended June 30, 2002 were RMB 9,936,302 as compared to sales of RMB 15,633,080 for the nine months ended June 30, 2001, a decrease of RMB 5,696,778 or 36.4%. The decrease was due to lower demands from our major customers. Since it is close to the end of the planting season, management believes that sales for the year ended September 30, 2002 will approximate 75% of prior year levels.

Gross Profit. Gross profit for the nine months ended June 30, 2002 was RMB 1,817,578 or 18.3% of revenues, as compared to RMB 3,901,662 or 25% of revenues for the nine months ended June 30, 2001. The gross profit margin decreased in 2002 as compared to 2001 as a result of lower sales prices to attract new customers.

Administrative and General Expenses. Administrative and general expenses for the nine months ended June 30, 2002 were RMB 2,176,486 or 21.9% of revenues, as compared to RMB 2,336,922 or 14.9% of revenues for the nine months ended June 30, 2001, a decrease of RMB 160,436.

Selling Expenses. Selling expenses for the nine months ended June 30, 2002 were RMB 383,168 or 3.9% of revenues, as compared to RMB 645,274 or 4.1% of revenues for the nine months ended June 30, 2002, a decrease of RMB 262,106. Selling expenses decreased in 2002 compared to 2001 as a result of reduction in sales due to the lower demand from major customers.

Income / loss from Operations. Loss from operations was RMB 742,076 for the nine months ended June 30, 2002, as compared to an income from operations of RMB 919,466 for the nine months ended June 30, 2001.

Other Income (Expense). We recorded interest income of RMB 148,472 and RMB 39,169 for the nine months ended June 30, 2002 and 2001, respectively.

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We recorded interest expense of RMB 53,453 and RMB 64,370 for the nine months ended June 30, 2002 and 2001, respectively. As of June 30, 2002, we had extended a bank loan of RMB 1,000,000 (US$120,482) which was originally due at June 19, 2002. The bank loan bears interest at 5.325% per annum and is due at April 19, 2003.

We recorded amortization of loan fees of RMB 0 and RMB 359,506 for the nine months ended June 30, 2002 and 2001, respectively.

Income Taxes. During the nine months ended June 30, 2002, we recorded income tax of RMB 90,826. We recognized income tax expense of RMB 144,810 for the nine months ended June 30, 2001.

Minority Interest. For the nine months ended June 30, 2002 and 2001, we recorded a minority interest of RMB 36,650 and RMB 1,670 respectively, to reflect the interest of the Company's 30% joint venture partner in the net income of Jiangxi Fenglin.

Net Income / Loss. Net loss was RMB 701,233 for the nine months ended June 30, 2002, as compared to a net income of RMB 391,619 for the nine months ended June 30, 2001. The reason for recording net loss for the nine months ended June 30, 2002 while recording net income for the three months ended June 30, 2001 was primarily the result of the increasing administrative and general expenses due to director's remuneration.

Consolidated Financial Condition:

Liquidity and Capital Resources - June 30, 2002

We reported a 36.4% decrease in sales during the nine months ended June 30, 2002 compared to the nine months ended June 30, 2001. The Company believes that it has adequate funds to support operations for the current fiscal year ending September 30, 2002.

To address its on-going and long-term cash needs, we plan to initiate discussions with investment banks and financial institutions and attempt to raise funds to support current and future operations. This includes attempting to raise additional working capital through the sale of additional capital stock or through additional bank or third party borrowings. We cannot provide any assurance that it will be able to raise any such funds.

Operating. For the nine months ended June 30, 2002, our operations generated cash resources of RMB 773,338 as compared to utilizing RMB 12,980,135 for the nine months ended June 30, 2001. Our operations generated more cash resources in 2002 as compared to 2001 primarily as a result of the settlement of accounts receivable and also the receipt of deposits from our major customers, and the

issuance of common shares for directors' remuneration. At June 30, 2002, cash and cash equivalents decreased by RMB 255,463 to RMB 336,401, as compared to RMB 591,864 at September 30, 2001. We had working capital of RMB 6,080,093, at June 30, 2002, as compared to RMB 4,445,923 at September 30, 2001, resulting in current ratios of 1.44:1 and 1.30:1 at June 30, 2002 and September 30, 2001, respectively.

Accounts receivable. Accounts receivable decreased by RMB 1,996,535, to RMB 10,752,242 at June 30, 2002, from RMB 12,748,777 at September 30, 2001. Accounts receivable decreased during the nine months ended June 30, 2002 as a result of settlement of part of the accounts receivable.

Inventories. Inventories increased by RMB 2,694,868, to RMB 4,148,396 at June 30, 2002, from RMB 1,453,528 at September 30, 2001 in anticipation of the current selling season during the spring and summer.

Amount due from related parties. Amount due from related parties increased by RMB 392,755, to RMB 4,010,928 at June 30, 2002, from RMB 3,618,173 at September 30, 2001 as a result of making loans to related companies.

Investing. During the nine months ended June 30, 2002 and 2001, additions to property, plant and equipment aggregated RMB 335,801 and RMB 707,836, respectively.

Financing. During the nine months ended June 30, 2002, one of our subsidiaries repaid RMB 993,000 of the short-term bank loans. Also, one of our subsidiaries obtained loan proceeds of RMB 300,000 under unsecured short-term loans.

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. Our success depends in substantial part on the continued growth and development of the Chinese economy. During the fiscal quarters ended December 31, 2001 and 2000, inflation and changing prices have had a minor impact on our operations and financial position. The actual rate of inflation in the agricultural sector has been nominal, and the price level of fertilizer products has been stable.

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, we do not believe that such an action would have a detrimental effect on our operations, since we conduct virtually all of its business in China, and the sale of our products is settled in Renminbi. However, devaluation of the Renminbi against the United States dollar would adversely affect our financial performance when measured in United States dollars.

New Accounting Pronouncements:

In July 2001, The Financial Accounting Standards Board (FASB) issued SFAS No.141, "Business Combinations", and SFAS no.142, "Goodwill and Other Tangible Assets". SFAS No.141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited after that date. SFAS No.142 changes the accounting for goodwill and intangible assets with indefinite lives from an amortization method to an impairment-only approach and acquires intangible assets with finite lives to be amortized over their useful lives. Thus, amortization of goodwill and intangible assets with indefinite lives will cease upon adoption of the statement. SFAS No.142 is required to be applied in fiscal years beginning after December 15, 2001. We do not expect that the adoption of SFAS No.141 or SFAS No.142 will have a significant immediate impact on our financial condition or results of operations, as we have no pending business combinations, nor do we have any goodwill or other intangible assets recorded as of December 31, 2001.

In August 2001, the FASB issued SFAS No.144, "Accounting for Impairment or Disposal of Long-Lived Assets", which addresses accounting and financial reporting for the impairment or disposal of long-lived assets. This statement is effective for fiscal years beginning after December 15, 2001. We are currently assessing the impact, if any, that SFAS No.144 may have on our financial condition and results of operations.

PART II. OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the nine months ended June 30, 2002, we issued 708,334 shares of common stock. The shares issued were primarily issued to two officer/directors in lieu of cash compensation for services rendered to us.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:
- 99.1 Certification by Chief Executive Officer
- 99.2 Certification by Chief Financial Officer

(b) Reports on Form 8-K:

Nine Months Ended June 30, 2002 - 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: August 14, 2002

By: /s/ LAWRENCE HON

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

Date: August 14, 2002

By: /s/ CARL YUEN

Carl Yuen
Chief Financial Officer
(Principal Financial
and Accounting Officer)