



CEO CFO

Interviews & News!

ceocfointerviews.com – All rights reserved. – Issue: August 17, 2007

China Kangtai Cactus Bio-Tech Is Focused On Producing Food And Beverage Products Using Cactus As A Key Ingredient, Which Contains Many Amino Acids, Minerals And Vitamins And Has Been Used As A Supplement To Treat Many Human Disease In China



**Biotechnology
Cactus Products
(CKGT-OTC: BB)**

China Kangtai Cactus Bio-Tech, Inc.

**99 Taibei Road
Limin Economic & Technological
Development Zone
Harbin, Heilongjiang Province, P.R.
China 150025
Phone: 86-451-57351189**

**Ren Hu
Vice President of
North American Operations**

BIO:

Mr. Hu has over 10 years of experience in Wall Street, particularly in marketing, trading, and reverse mergers. He also has several years experience in management consulting. Mr. Hu received a BS (Zhejiang University), MBA (London Business School), and ABD (Rutgers University).

Company Profile:

Kangtai is a vertically integrated grower, developer, manufacturer and marketer of a variety of cactus-based consumer products including nutraceuticals, beverages, packaged foods and various intermediary products containing cactus palms, cactus fruit, and cactus derivatives. Various cactus products have been shown to provide

health benefits and have been used to treat a variety of health issues including, diabetes, adiposity, constipation, cholesterol, high blood pressure, low immunity, and skin disorders. With 387 acres of plants and an active R&D group, Kangtai holds 15 product patents and is seeking another 15 in a variety of product categories. Kangtai's high-quality products are sold throughout China via a growing distribution network that includes over 10 regional distributors with more than 200 second tier distribution agents, who cover 14 provinces and 4 municipalities. The products are sold in supermarkets, food and nutrition stores, department store counters, hotels and restaurants, disco and karaoke bars, as well as through direct consumer group repeat orders and seminar & conference orders.



**Interview conducted by:
Lynn Fosse, Senior Editor
CEO CFOinterviews.com**

CEO CFO: Mr. Hu, will you tell us a bit about your background with China Kangtai Cactus Bio-Tech?

Mr. Hu: "I am the vice president of the company in charge of the North American operation. However, the company products are not sold in North America. The operation basically is compliance with SEC issues for the company, which

became a public company in the U.S. in 2005 and is traded on the OTCBB. Therefore, the operation consists of the filing of all of the reports such as the 10Ks, 10Qs and other periodical reports, management of attorneys, auditors, IR firms and investor relations."

CEO CFO: Please tell us about the company.

Mr. Hu: "China Kangtai Cactus Bio-Tech is a company based in Harbin, China, which is a northern city in China and was formerly founded by the current CEO and chairman of the board, Mr. Jinjiang Wang in 1998. The company was founded on the idea of using cactus as an ingredient in food and beverages for the Chinese population."

CEO CFO: What is special about cactus?

Mr. Hu: "Cactus is a wonderful plant. Scientific research and certified tests show that cactus contains about 18 amino acids, 11 minerals and 7 or 8 vitamins and many other rare elements. To my knowledge I do not see any other single plant or fruit which contains so many useful elements for human health. For many years in the medical industry in China, we have seen the clinical use of cactus as a treatment or as a supplement for treating a lot of human diseases."

CEO CFO: How do you process the cactus?

Mr. Hu: "The company started with three species of Mexican cactus. Jinjiang Wang, our CEO and Chairman, went to Mexico several times and learned how to process cactus from the Mexican counterpart into food and beverages, because Mexicans have a long history of utilizing cactus. He learned the basic skills and

brought three species of Mexican cactus to start producing product in China. Now the company has an in-house, twelve-member full-time technical staff members research institute and they are doing seed cloning based on these Mexican seed, to better suit Chinese soil and growing environment, and also to make the species more disease resistant and to taste better for food and beverages. So this is the starting place. The company has nearly 400 acres of farmland to grow cactus in Guangdong province, which is in southern China. They are growing Mexican species with Chinese cloning. They are also doing a research on new products and processes and they are applying patents on their research. There are fifteen patents that are approved by the Chinese patent office and there are fifteen pending."

CEOCFO: Do you manufacture all the products that use your own cactus or do you sell the cactus to other people?

Mr. Hu: "The company does sell cactus as raw and intermediate material as well but it is only a small part of the company's revenue; about 4%. The company mainly uses cactus as ingredients for its own products, which are nutraceuticals, such as dietary supplements and health and wellness food supplements. The second is the beverage category, which includes juice, tea, beer wine and spirits, which are high-margin premium alcohol products."

CEOCFO: How do you sell your products?

Mr. Hu: "The company currently is exclusively using distributors or consignees. The company signed up with some trading firms in China to distribute the company's products. We currently have 10 trading firms across the country and they have their own distribution network, which include 2nd tier distributors, wholesalers, and retailers such as chain stores and supermarkets. They sign a contract with China Kangtai and buy our cactus

based products, and then they distribute them through their own systems. We started signing on distributors in August of 2006, but before that the company sold its products through their owned stores, Company branded stores and franchises stores, about 200 of them. The company discovered that those kinds of practices are not very cost effective, because it is very expensive to run a store and it is sometimes very difficult to manage. Therefore, they changed their distribution policy and disposed of all of these stores."

"First of all the company is very much a monopoly, a leader in the sector in China. In China, food and beverage is a huge market with the population. Compared to other cultures, Chinese will spend a much higher fraction of their income on food and beverages. It is a huge sector with huge growth potential in China. We are relatively low risk. The company is vertically integrated starting from its own seeds, farmland, patents, and production. The company controls every stage. There is a higher barrier to entry. The company is very secure integrated leader in the market. There is huge growth potential and very low risk. Those are the highlights. In China, there is a traditional belief in herbs, medicinal food supplements. People in China do not have as wide a medical coverage as in the west, so people regularly take these herbal-based supplements and they perceive cactus as a green, wild natural ingredient. They already have the belief so you do not have to try too hard to educate your customers. It is well received." - Ren Hu

CEOCFO: How does this work out for you?

Mr. Hu: "This strategy is low cost to run. It is also quicker for the company to go into new markets because they just need to negotiate with those regional general distributors and sign annual contracts. Therefore, it is cost effective and quicker to reach new markets. The company currently does not own any retail outlets, but the company still has some direct sales of its products through group purchase such as schools, factories, and government organizations. They know the company products and buy directly from the com-

pany for their own employee consumption."

CEOCFO: Do you have the largest market share?

Mr. Hu: "Yes, this sector is a fragmented sector since it is at the earliest stage of development. There is no statistics of the market share, distribution, and things like that, but according to our company's own estimate by the cactus growing farmland and the products in the market place, the company has about 60% of the market share. In addition, there is no close competitor."

CEOCFO: Do you continue to introduce new products?

Mr. Hu: "Yes."

CEOCFO: Are there particular areas of growth for you there?

Mr. Hu: "The company has four categories of products, nutraceuticals, beverage, packaged foods, and raw cactus material. Beyond that, a fifth category, the Company has already been approved the patents in the animal feed and animal nutrition, which is a huge sector in China and also some patents in skincare and personal care sector in the cosmetics sector(sixth category. We are not in these two new sectors yet. The company just recently launched five new products. They are hydration and energy drinks, and 3 nutraceuticals. The company has about 35 individual products in these four categories."

CEOCFO: What is the financial picture?

Mr. Hu: "The company is making money every quarter and every year. The company's revenue and net income are growing steadily at least 30%. The company's gross and net margins are improving. In 2006, the company's revenue grew 30%, the net income grew 80%. Therefore, it is operating efficiency is improving. The company is projected to grow at least 30% in the next three to five years and the company is also looking for additional financing of about \$5 or \$6 million in equity financing. If the company can secure that, then it can forecast a 50%

growth rate starting in 2008. The money can be spent on things like advertising, R&D and manufacturing capacity and starting from 2008, the company can realize 50% sales growth.”

CEOCFO: Has the investment community started to pay attention?

Mr. Hu: “Not very much yet. The company has only been public for two years and it is on the OTC: BB. The company did not use investor relations very much; it has just engaged an IR firm called RedChip to create awareness.”

CEOCFO: Why should investors be interested?

Mr. Hu: “First of all the company is very much a monopoly, a leader in the sector in China. In China, food and beverage is a huge market with the population. Com-

pared to other cultures, Chinese will spend a much higher fraction of their income on food and beverages. It is a huge sector with huge growth potential in China. We are relatively low risk. The company is vertically integrated starting from its own seeds, farmland, patents, and production. The company controls every stage. There is a higher barrier to entry. The company is very secure integrated leader in the market. There is huge growth potential and very low risk. Those are the highlights. In China, there is a traditional belief in herbs, medicinal food supplements. People in China do not have as wide a medical coverage as in the west, so people regularly take these herbal-based supplements and they perceive cactus as a green, wild natural ingredient. They already have the belief so

you do not have to try too hard to educate your customers. It is well received.”

CEOCFO: What should people remember most about China Kangtai Cactus Bio-Tech?

Mr. Hu: “The company has a great idea and a great foundation. The pioneer in the business started from the Mexican cactus seed and the Mexicans are supposed to be the best in the world for processing cactus for food and beverages. The company has its own farmland and land is a profitable investment in China, because it appreciates so fast. They grow cactus on the land and have their own patents, new products on the market and not much competition. This company has huge potential for the future.”



China Kangtai Cactus Bio-tech, Inc.



China Kangtai Cactus Bio-Tech, Inc.
99 Taibei Road
Limin Economic & Technological
Development Zone
Harbin, Heilongjiang Province, P.R.
China 150025
Phone: 86-451-57351189