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**China Kangtai  
 Cactus Bio-tech Inc.**

## Investment Profile

**OTC BB: CKGT**

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**China Kangtai Cactus Bio-Tech Q3 Revenue Up 32% to Record \$8.2M;  
 Net Income Up 71% to \$3.0M, EPS \$0.15; Preliminary 2009 Revenue Up  
 27% YOY to \$25.8M; Forecasts 2010 Revenue Up 35% YOY to \$34.8M**



### Company Description

China Kangtai Cactus Biotech Inc. (OTCBB: CKGT) is a market-leading grower, developer, manufacturer, and marketer of cactus-based products, including nutraceuticals, health drink and liquor, extracts & powders, nutritional food, livestock feed & fish feed.

Culturally, Chinese believe in herbal-based medicine and dietary supplements, which some view as alternative medicine. This belief is the impetus for cactus products' popularity in China and other parts of Asia. Cactus products provide health benefits and are used as auxiliary treatment to a variety of health issues, including diabetes, obesity, constipation, cholesterol, high blood pressure, low immunity and skin disorders.

Cactus contains over 18 amino acids, as well as carbohydrates, proteins, chief meal fibrin, carotene, vitamins C, E, vitamin K1, vitamins B1, B2, B6, and B12, nicotinic acid, folacin, calcium, phosphorus, iron, potassium, sodium, cobalt, molybdenum, magnesium, manganese, copper, zinc, nickel, iodine, and selenium.

### OTCBB: CKGT

Closing Price (2/22/10)	\$2.31
Market Cap.	\$43.43 mil.
52-Week Range	\$0.12 - \$3.00
Average Vol. (13 wk.)	84,795
2008 EPS	\$0.23
2008 Revenue	\$20.3 mil.
2008 Net Income	\$4.3 mil.
Total Assets (9/30/09)	\$38.9 mil
Total Liabilities (9/30/09)	\$8.5 mil.
Total Equity (9/30/09)	\$30.4 mil.
Basic Shares	18.8 mil.
Diluted Shares	19.7 mil.
Est. Public Float	5.3 mil.
Insider Ownership	60%
Fiscal Year End	Dec. 31

Kangtai Cactus capitalizes on 18 patents and is currently seeking another 12. The company controls over 387 acres of cactus farms and maintains an active Research and Development (R&D) effort.

Kangtai's highly regarded products are sold throughout China through a growing distribution network. The company's products are sold in supermarkets, nutrition stores, department stores, hotels, restaurants and social clubs, as well as through direct corporate orders, seminars and conferences orders.

The company went public in the U.S. in August 2005 via a reverse merger. The company employs a staff of 205.

### Highlights

#### 1/25/10

CKGT Awarded \$2.1 Million Contract for Patented Cactus-based Low and Zero Nicotine Cigarettes

#### 1/11/10

CKGT Says Q4 New Product Sales Exceeded Expectations

#### 12/24/09

CKGT Adopts EITF 07-05, Expects to File Amended 10-Q, 10-K

#### 11/23/09

CKGT Q3 '09 Revenue Up 32% to \$8.2 M; Net Income Up 71% to \$3.0 M; EPS \$0.15 vs. \$0.08.

#### 11/2/09

CKGT Signs Cooperative Agreement To Produce Patented Cactus-based "Green" Animal Feed

#### 09/01/09

CKGT Launch Patented Cactus Low Tar, Low or Zero Nicotine Cigarettes

#### 08/13/09

CKGT Q2 '09 Revenue Up 30% to Record \$6.5M; Net Income Up 37% to \$1.4M, EPS \$0.07

#### 05/15/09

CKGT Q1 '09 Revenue Up 20% to \$3.33M; Net Income Up 14% to \$694K; EPS \$0.04 vs. (\$0.03)

#### 04/15/09

CKGT FY '08 Revenue Up 43% to \$20.3M; Net Income Up 87% to \$4.3M; EPS \$0.23 vs. \$0.13

# Investment Profile

CKGT.OB



## Competitive Strengths

60% market share of China's edible cactus production - The company's 2008 production capability of edible cacti was 14,425 tons. The company predominantly grows three species of cacti: Mexican Pyramid, Mexican Milpa-Alta and Mexican Queen. The cactus fruits are processed into juice, which is the basic ingredient for cactus nutritional drinks. The harvested edible cacti are processed into dry powder, which is the basic ingredient for cactus nutraceuticals.

Strategic alliances with cooperative manufacturers  
In addition to its own cactus beverage and fruit wine production facilities, Kangtai has cooperative production agreements with five local pharmaceutical, food and beverage manufacturers to process and produce its products.

This strategy enables the company to fill orders quickly with short production runs and to reduce requirements for fixed asset investment. Kangtai provides raw materials, quality control guidelines and technical support while the processors provide other materials, processing facilities and labor to manufacture the cactus products for the company.

Active R&D - The company's research and development facility, the Heilongjiang Sino-Mexico Cactus Development and Utilization Institute, is certified by the prestigious Heilongjiang Science & Technology Committee. The institute has independently developed many patented cactus-based nutraceuticals, nutritional food and drink product formulas and production processes.

Through these efforts, Kangtai has a strong new product pipeline that includes personal hygiene and cosmetic products, baby foods, hydration and energy drinks, animal nutrition and feed products. Cactus cattle feed and cactus fish feed have been generating rapidly growing revenues since July

2008. The company plans to begin marketing cactus hog feed in the fourth quarter in 2009.

Low cost regional distribution - 88% of Kangtai's sales are generated by 14 regional distributors that encompass over 200 distribution agents covering 12 of China's 23 provinces and two of China's four municipalities. The efficient use of distributors through annual contract has enabled the company to rapidly scale up sales into new markets at minimal cost. In addition, the company receives regular repeat orders from group consumers such as schools, factories, community organizations and government offices.

## The Outlook

CKGT's growth is driven by a number of factors:

- Traditional Chinese belief in herbal based medicine and dietary supplements as an alternative to healthcare
- Surging demand for "green & natural" products
- Growing Chinese consumer disposable income and purchasing power for health & wellness products
- Increasing acceptance of Kangtai's products by Chinese customers
- Increasing awareness of cacti nutritional value
- Unsaturated and fragmented cactus product market with little competition

CKGT's short-term strategy is to expand production capacity and marketing efforts. CKGT is committed to remaining at the forefront of providing quality cactus-derived nutraceuticals, nutritional food, health drinks, liquor, extracts, livestock feed and fish feed.

CKGT's longer-term strategy is to expand its market beyond China into South Korea, Singapore, Taiwan and other southeastern Asian countries.

To accommodate this expansion CKGT entered into an Asset Purchase Agreement in March 2009 with Qitaihe Kangwei Biotechnology Co., Ltd. to acquire land use rights, housing ownership and fixed assets consisting of machinery, equipment and facilities.

Q3 2009 revenues increased by \$2.0 M or 32% to \$8.2 M from \$6.2 M in Q3 2008. The increase in revenues was primarily driven by growing popu-

larity of CKGT cactus-derived products. In addition, CKGT successfully launched two new products, cactus fish feed and cattle feed, in July 2008, which also contributed to the increase in sales.

Q3 '09 net income increased by \$1.3M or 71% to \$3.0 M from \$1.8 M. This increase is due to the increase in net sales, specifically the sales of the newly launched cactus fish and cattle feed.

For 9M FY2009, revenue was \$18 M, an increase of 29% from \$14 M for the comparable period in 2008. Net income for 9M FY2009 was up 51% at \$5.1 M, compared to \$3.4 M for 9M FY2008.

The company had a cash position of \$3.4M on Sept. 30, 2009, a YOY increase of 424% from \$648K on Sept. 30, 2008.

## Management

**Mr. Jinjiang Wang**, President, CEO and Chairman of the Board of Directors

**Mr. Chengzhi Wang**, General Manager and Director

**Ms. Hong Bu**, CFO and Director

## Website Information

CKGT's press releases, Level II price quotes, SEC filings, Java stock charts and other valuable information for investors may be found at

[www.biocactus.com](http://www.biocactus.com)

[www.hawkassociates.com](http://www.hawkassociates.com)

## Risk Factors

- Limited capital resources
- Indeterminate growth of Chinese cactus market
- Investor understanding of the cactus market
- Investor confidence in Chinese stocks