世纪阳光

CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

世紀陽光生態科技控股有限公司

2003

Annual Report

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Century Sunshine Ecological Technology Holdings Limited (the "Company") collectively and individually accept responsibility includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

safe

ecological

healthy

A leading player in the PRC engaging in the R&D, production and sale of organic fertilizers, provides a ***safe, healthy, ecological*** and environmental-friendly source for organic agriculture.

CONTENTS

Corporate Profile

Century Sunshine Ecological Technology Holdings Limited (the "Company" or "Century Sunshine") and its subsidiaries (the "Group") is engaged in the research and development ("R&D"), production and sale of organic fertilizer products in the People's Republic of China (the "PRC"). Through the application of advanced technology, the Group develops, produces and sells a range of organic fertilizer products, including microbial compound fertilizer, organic fertilizers and organic compound fertilizers, all marketed under the brand name of "LU DI" (綠滴). Its products cover a wide range of purposes and are suitable for use in crops such as tea plants, fruit trees, flowers and vegetables.

RECOGNITIONS:

"LU DI" ("綠滴") Microbial Compound Fertilizer

- One of the 12 microbial compound fertilizer products registered with the Ministry of Agriculture of the PRC

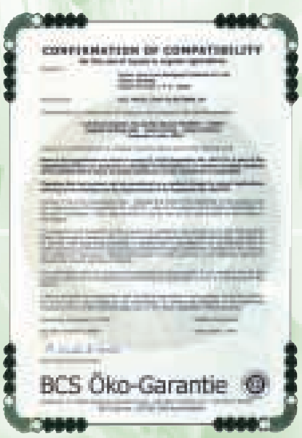
"LU DI" ("綠滴") Organic Tea Fertilizer

- One of the 4 organic tea fertilizer products approved by the Organic Tea Research and Development Center of the Tea Research Institute Chinese Academy of Agricultural Sciences ("OTRDC")

- The only organic tea fertilizer product in the PRC certified by both OTRDC and BCS Öko-Garantie GmBH, an European Union accredited inspection and certified body based in Germany

"LU DI" ("綠滴") Premium Organic Fertilizer and LU DI ("綠滴") Organic Compound Fertilizer

- Registered with the relevant government authorities in Fujian Province, the PRC



BOARD OF DIRECTORS

Left: Zhou Xing Dun, Zou Li, Wong May Yuk, Shum Sai Chit, Chi Wen Fu, Cheung Sound Poon, Shen Yi Min

CORPORATE STRUCTURE

Century Sunshine Ecological Technology Holdings Limited
(incorporated in the Cayman Islands on 21 January 2003)

Investment holding

100%

New Bright Group Limited
(incorporated in BVI on 12 December 2002)

Investment holding

100%

Century Sunshine Ecological Technology Limited
(incorporated in Hong Kong on 5 July 2002)

Investment holding

100%

Green Land Bio-Products Co. Limited (“Green Land”)
(established in the PRC on 17 January 2000)

80%

三明市世紀陽光農業科技開發有限公司 (“Sanming”)
(established in the PRC on 16 June 2000)

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Chi Wen Fu *(Chairman)*
Shum Sai Chit
Zhou Xing Dun

Non-executive Directors

Zou Li
Wong May Yuk

Independent non-executive Directors

Shen Yi Min
Cheung Sound Poon

COMPANY SECRETARY

Tang Ying Kit ACCA, AHKSA, ACMA

QUALIFIED ACCOUNTANT

Tang Ying Kit ACCA, AHKSA, ACMA

COMPLIANCE OFFICER

Shum Sai Chit

MEMBERS OF AUDIT COMMITTEE OF THE BOARD

Cheung Sound Poon *(Chairman)*
Shen Yi Min
Shum Sai Chit

AUTHORISED REPRESENTATIVES

Chi Wen Fu
Shum Sai Chit

SPONSOR

CSC Asia Limited
Unit 3204-07, 32nd Floor, COSCO Tower
Grand Millennium Plaza
183 Queen's Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:–
So Keung Yip & Sin
17th Floor, Standard Chartered Bank Building
4 Des Voeux Road Central
Hong Kong

As to PRC law:–
Kang Da Law Office
Suite 703, CITIC Building
19 Jianguomenwai Street
Beijing
PRC

AUDITORS AND REPORTING ACCOUNTANTS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2807, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 75
George Town
Grand Cayman
Cayman Islands

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Ground Floor
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

PRINCIPAL BANKERS

DBS Bank (Hong Kong) Limited
The Center, 99 Queen's Road Central
Central
Hong Kong

STOCK CODE

8276

Chairman's Statement

On behalf of the board of directors of the Company (the "Directors"), I am pleased to present the annual results of the Group for the year ended 31 December 2003 for your consideration. This report represents the first annual results presented by the Company since its listing on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 February 2004. I greatly appreciate this opportunity to share the achievements with shareholders.

BUSINESS REVIEW

The results for 2003 were stimulating and encouraging. Profit attributable to shareholders for the year ended 31 December 2003 amounted to RMB21,367,000 representing an increase of 59% over that of 2002. Turnover for the year amounted to RMB55,468,000, representing an increase of 30% over that of 2002. Such increases indicated the higher growth nature of hi-tech enterprises.

The Group is principally engaged in R&D, production and sale of microbial compound fertilizer, organic fertilizer and organic compound fertilizer products in Fujian province, the PRC. Despite the SARS epidemic in the PRC in the first half of 2003 and the serious drought in Fujian province, the PRC in the second half of 2003, the operations of the Group were marginally affected and its products had commanded good market acceptance and were well received by consumers. The Group's outstanding results for 2003 were attributable to three major factors:

Chi Wen Fu • *Chairman*

Enormous Market
with Infinite
Business Potential


Excess product demand

In recent years, with the enhanced government efforts in the development of eco-friendly agriculture, consumers are increasingly health conscious. Accordingly, market demand for the Group's organic fertilizer products has been increasing. In addition to general agricultural applications, the Group's major products are also catered for such high value added crops as tea. In 2003, the sales to tea producers accounted for more than 65% of the Group's total sales.

Recognised products

The Group's products are recognised by various governmental and independent organisations. For example, "LU DI" ("綠滴") microbial compound fertilizer is among the 12 microbial compound fertilizer products registered with the Ministry of Agriculture of the PRC while "LU DI" ("綠滴") organic tea fertilizer is among the four organic tea fertilizer products approved by the Organic Tea Research and Development Center ("OTRDC") of the Chinese Academy of Agricultural Sciences. Besides, the Group is the only organic fertilizer producer in the PRC certified by BCS Öko-Garantie GmBH, an European Union accredited inspection and certified body based in Germany. Accordingly, the Group and its brands have established its market position with assured quality.

Established sales channels

In addition to maintaining its Company sales force, the Group has an established sales network of appointed exclusive distributors, covering most of the agricultural areas in Fujian province, the PRC. Such a unique sales model is more effective as compared to the ones adoptd by other fertilizer suppliers who distribute products mainly through local fertilizer retailing stores. Furthermore, the Group maintains long-term business relationships with users by providing technical training and "Pre-sales counselling, In-sales instruction and After-sales tracking" service, which enabled the Group to strengthen and broaden its client base.

PROSPECTS

PRC is one of the fastest growing economies in the world. Agriculture plays a significant role in the PRC economy. With the ever-increasing public awareness of the environmental and health issues related to agriculture production, the PRC government made conservation of natural resources, ecological balance and sustainable development the top priorities in its Tenth Five-Year Plan for future development of agriculture and rural economies. In particular, the government and the public became more aware of the importance and imminence of ecological conservation and food safety after the SARS epidemic and the prolonged drought in the previous year and the year-end resurgence of the avian flu. In early March this year, Premier Wen Jiabao addressed his debut "Government Work Report" in the Tenth People's Congress Second Plenary Session and pointed out that solving the problems of agriculture, village and peasants is one of the heaviest works among the government's tasks. It is desirable to adopt more direct and forceful strategies and measures to enhance agriculture, support it, protect it and strive our best to increase the income of peasants. The Directors believe that under the support of increasing the momentum of developing agriculture by policies of the government, eco-friendly agriculture and related industries will develop rapidly in the PRC, which will open up an enormous market and an ample dimension for Century Sunshine to develop its business in production and sales of organic fertilizer.

In June 2003, the Group completed the expansion of its production capacity at the factory of Green Land. After the expansion, the factory has an annual production capacity of microbial compound fertilizer products of approximately 3,000 tonnes and organic fertilizer products of approximately 20,000 tonnes. Given the increasing demand for its products, the Group established Century Sunshine (Nan Ping) Biology Engineering Co., Ltd ("Century Sunshine Nanping") as a indirectly wholly-owned subsidiary of the Company in February 2004 with registered capital of HK$7,000,000. Century Sunshine Nanping is now actively involved in building a new factory in Jianou of Fujian province, the PRC, with an annual production capacity of 20,000 tonnes of organic fertilizer products. The Group expects that the new factory will be completed and put into operation in mid 2004.

As the fast-growing organic fertilizer market represents a huge opportunity, the Group is implementing a plan to build a plant in Jiangxi province, the PRC to capture the market share of organic fertilizers in other provinces outside of Fujian province, the PRC. At the same time, the Group is arranging for a similar plant to be built in the southern part of Fujian province, the PRC. Each of the above new plants will have an annual production capacity of 20,000 tonnes of organic fertilizer products. The Group plans to strengthen its marketing efforts in Fujian province, the PRC to boost the brand awareness of "LU DI" ("綠滴") and the corporate image. The Group also plans to establish more demonstration bases to promote the quality and effectiveness of "LU DI" ("綠滴") products to farmers and further improve customer relations through the provision of technical support.

The Group put strong efforts in R&D in the past and will continue to do so in the future. The Directors believe that R&D plays a crucial role in the future success of the Group. The Group plans to launch five new types of organic fertilizers to the market in the first half of 2004. The Directors believe these new products will broaden the Group's product range and help the Group to capture more market shares in the future.

Century Sunshine was recently listed on GEM of the Stock Exchange. In order to seize more opportunities for development, it is necessary for the Group to increase its transparency and strengthen its internal control. The Group has to make itself accountable to shareholders, employees and the market. I am confident that with the efforts of the management and staff and the support of shareholders and business associates, the Group will maintain its fast track to growth. The future of Century Sunshine is bright and promising.

APPRECIATION

The Group achieved excellent results and was successfully listed on GEM of the Stock Exchange shortly after a few years of operation. This was attributable to the support from different parties. My sincere thanks to the Directors and the advisors of the Group for their valuable suggestions and efforts, and shareholders and business associates for their support and my gratefulness to the employees as a whole for their devotion.

Chi Wen Fu
Chairman

Financial Summary

A summary of the proforma results of the Group for the last three years and the proforma consolidated assets and liabilities of the Group as at the year end date, prepared on the basis set out in the note below, is as follows:

PROFORMA CONSOLIDATED PROFIT AND LOSS ACCOUNTS:

	Years ended 31 December		
	2003	2002	2001
	RMB'000	RMB'000	RMB'000
Turnover	**55,468**	42,630	5,923
Cost of sales	**(24,364)**	(19,177)	(3,140)
Gross profit	**31,104**	23,453	2,783
Distribution and selling expenses	**(3,094)**	(3,241)	(700)
General and administrative expenses	**(4,348)**	(2,702)	(1,433)
Research and development costs	**(2,125)**	(4,079)	(108)
Operating profit	**(21,537)**	13,431	542
Finance costs	**(343)**	(230)	(269)
Profit before taxation	**21,194**	13,201	273
Taxation	**(29)**	(11)	-
Profit after taxation	**21,165**	13,190	273
Minority interests	**202**	226	(504)
Profit attributable to shareholders	**21,367**	13,416	(231)

PROFORMA CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December 2003 RMB'000	As at 31 December 2002 RMB'000	As at 31 December 2001 RMB'000
Total Assets	**47,300**	23,299	14,060
Total Liabilities	**(13,832)**	(8,491)	(12,033)
	33,468	14,808	2,027

Note: The Company was incorporated in the Cayman Islands on 21 January 2003. Pursuant to a reorganisation of the Group (the "Reorganisation") completed on 30 January 2004 in preparation for the listing of the Company's shares of HK$0.10 each (the "Shares") on GEM (the "Listing"), the Company became the holding company of its subsidiaries. Details of the Reorganisation were set out in the prospectus issued by the Company dated 5 February 2004 (the "Prospectus").

Although the current group structure resulting from the Reorganisation did not legally exist until 30 January 2004, the Directors consider that meaningful information is provided by treating the Group as a continuing entity. Accordingly, the proforma accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the Group throughout the three years ended 31 December 2003, or from the respective dates of incorporation, whichever is a shorter period. The Shares have been listed on GEM since 17 February 2004.

The proforma consolidated profit and loss accounts for the two years ended 31 December 2002 and 2001, and the proforma consolidated assets and liabilities as at 31 December 2002 and 2001 have been extracted from the Prospectus.

FINANCIAL REVIEW

Turnover

Turnover of the Group for the financial year ended 31 December 2003 amounted to RMB55,468,000, representing an increase of 30% compared with last year of approximately RMB42,630,000. The increase was mainly attributable to the rise in demand for the Group's products among farmers in Fujian province, the PRC. It was also attributable to the effective marketing efforts of the Group in major agricultural areas in Fujian province, the PRC, which resulted in an increase in awareness among farmers of the Group's products and their strengths.

Turnover of the Group by four major products is as follows:

	2003 RMB'000	2002 RMB'000	Change
Microbial compound fertilizer	**23,557**	18,121	+30%
Organic tea fertilizer	**17,390**	14,231	+22%
Premium organic fertilizer	**2,177**	1,119	+95%
Organic compound fertilizers	**12,344**	9,159	+35%
Total	**55,468**	42,630	+30%

Turnover of microbial compound fertilizer, organic tea fertilizer and organic compound fertilizer increased by approximately 30%, 22% and 35% respectively mainly due to the rise in market demand in Fujian province, the PRC. Turnover of premium organic fertilizer recorded a substantial growth of 95%, which was attributable to an increase in organic and ecological growers.

Rapid Business Growth with Extensive Product Range

Gross profit

Gross profit of the Group for 2003 amounted to approximately RMB31,104,000. Gross profit margin was 56%, about the same as that of 2002, mainly due to the Group's constant structure of cost of sales and the fact that the plants of the Group reached their optimal economies of scale during 2002 and 2003, resulting in a constant average of cost of sales.

Operating expenses

The Group's operating expenses mainly included distribution and selling expenses, general and administrative expenses and R&D costs. For the year ended 31 December 2003, total operating expenses of the Group amounted to approximately RMB9,567,000, representing a decrease of 5% over 2002.

Distribution and selling expenses amounted to approximately RMB3,094,000, representing a decrease of 5% over 2002, mainly due to a reduction in advertising costs as a result of a change to a lower cost advertising agency of similar scale.

General and administrative expenses amounted to approximately RMB4,348,000, representing an increase of 61% over 2002, mainly due to an increase in rental expenses as a result of the newly established office in Hong Kong and an increase in auditing fee charged for 2003.

R&D costs of the Group decreased by approximately 48% from approximately RMB4,079,000 in 2002 to approximately RMB2,125,000 in 2003. The decrease was mainly due to the fact that most of the new products being developed by the Group were at the final stages with most of the development cost already incurred in the previous years.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The Group's proforma consolidated profit attributable to shareholders for the financial year ended 31 December 2003 was approximately RMB21,367,000, representing an increase of 59% as compared with the corresponding period of 2002.

LIQUIDITY AND SOURCE OF FINANCE

The Group maintain a healthy financial position. As at 31 December 2003, the aggregate amount of net current assets was approximately RMB19,681,000 (2002: approximately RMB9,931,000), and the Group's cash in hand and bank balances amounted to approximately RMB4,655,000 (2002: RMB1,694,000). The current ratio for the financial year of 2003 was 3, in line with that for the financial year of 2002.

Apart from the proceeds obtained from the Listing subsequent to 31 December 2003 and bank borrowings, cash generated from internal resources was another source of finance for the Group. As at 31 December 2003, the Group had short-term bank loans of RMB7,800,000, which were mainly used for the expansion of the plant and production facility in Youxi, Fujian province, the PRC, representing an increase of RMB4,800,000, as compared to RMB3,000,000 as at 31 December 2002. The expansion project was completed in June 2003 and the plant had commenced production. The gearing ratio (total liabilities to total assets) of the Group decreased from 36% in 2002 to 29% in this year.

PLEDGES OF ASSETS

As at 31 December 2003, the Group did not have any charges or pledges on its assets.

CAPITAL COMMITMENTS

As at 31 December 2003, the Group did not have any material capital commitments apart from those disclosed in Note 17 to proforma accounts.

SIGNIFICANT INVESTMENTS

Save for the Company's investment in its subsidiaries, the Group did not have any significant investments during the year.

CONTINGENT LIABILITIES

As at 31 December 2003, the Group did not have any material contingent liabilities.

FOREIGN EXCHANGE EXPOSURES

Since most of the income and expense as well as assets and liabilities of the Group are denominated in Reminbi, the Directors consider that the Group has no material foreign exchange exposures.

USE OF PROCEEDS FROM THE LISTING

Century Sunshine was successfully listed on GEM through Public Offer ("as defined in the Prospectus") and Placing ("as defined in the Prospectus") on 17 February 2004. After deduction of relevant expenses, the net proceeds raised amounted to approximately HK$33,000,000. The Group intends to apply such net proceeds in the construction of 3 new plants, R&D, promotion of the Group's products, improvement of computer systems and equipments and as additional working capital.

CAPITAL STRUCTURE

The authorised share capital of the Company when incorporated on 21 January 2003 was HK$100,000, divided into 1,000,000 Shares. On 11 March 2003, one subscriber Share was allotted and issued as fully paid to the founding shareholder to provide the Company's founding share capital, and such Share was subsequently transferred to Alpha Sino International Limited ("Alpha Sino") on the same day. On 11 March 2003, the Company further allotted and issued 999,999 Shares as unpaid to Alpha Sino.

On 30 January 2004, the written resolution of the Company's then sole shareholder, Alpha Sino, was passed, pursuant to which, 16,000,000 additional Shares were created, resulting in an increase of the authorised share capital from HK$100,000 to HK$1,700,000. The additional Shares rank pari passu with the then existing Shares in all respects. On 30 January 2004, 16,000,000 Shares in aggregate were allotted and issued to Alpha Sino, credited as fully paid and all 999,999 unpaid Shares held by Alpha Sino were credited as fully paid at par, in exchange for the 20 shares of US$1 each in the share capital of New Bright Group Limited acquired by the Company.

On 31 January 2004, the written resolution of the Company's then sole shareholder, Alpha Sino, was passed, pursuant to which, 983,000,000 additional Shares were created, resulting in an increase of the authorised share capital from HK$1,700,000 to HK$100,000,000. The Company, through the capitalisation of HK$22,300,000 standing to the credit of the share premium accounts of the Company, allotted and issued 223,000,000 Shares to shareholders whose names were on the share register of the Company on 5 February 2004 or their designated persons in proportion to their shareholdings.

Pursuant to the Public Offer and Placing completed on 17 February 2004, the Company allotted and issued an aggregate of 80,000,000 Shares.

DIVIDEND

The Directors do not recommend payment of a final dividend for the year ended 31 December 2003.

HUMAN RESOURCES

As at 31 December 2003, the Group had 103 employees. Salaries are determined by reference to prevailing market rates. Staff benefits include medical protection, pension, discretionary bonus and share options. The Group has not experienced any labour disputes or significant changes in its headcount which may undermine its normal operation. The Directors considers that the Group enjoys a good relationship with its staff. Staff costs for the year ended 31 December 2003 amounted to approximately RMB2,343,000.

DISCLOSURE PURSUANT TO CHAPTER 17 OF THE GEM LISTING RULES

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

Business Objectives and Actual Business Development

Pursuant to the GEM Listing Rules, Century Sunshine is required to prepare a comparison of its actual business development for the six months ended 31 December 2003 and the business objectives for the same period as set out in the Prospectus. However, since the Prospectus was issued after the balance sheet date on 5 February 2004, Century Sunshine will review its business objectives and strategies on an ongoing basis and prepare a report in the next period of review for the six months ended 30 June 2004.

EXECUTIVE DIRECTORS

CHI Wen Fu（池文富）("Mr. Chi"): aged 41, is the Chairman and Chief Executive Officer of the Group responsible for overall strategic direction and key operating decisions. Mr. Chi is the founder of the Group and played a leading role in developing the Group's corporate direction and strategic vision and in guiding the Group in pursuit of its corporate business and operational objectives. Mr. Chi graduated from Fujian Light Industry Technical College（福建省輕工業技術學校）in 1981 specialising in Chemical Analysis. Mr. Chi became a qualified lawyer in the PRC in 1989 and joined Fuzhou Justice Bureau Commerce Law Office（福州市司法局經濟律師事務所）. Mr. Chi left Fuzhou Justice Bureau Commerce Law Office and set up a law office in Fuzhou in 1995 in which he was the managing partner. In early 1998, Mr. Chi started initial research on organic agricultural production process and funded a project on research and development of microbial compound fertilizer products. With the success in the project and a view to continue the business pursuit in organic fertilizer production, Mr. Chi established the Group in 2000. For his outstanding contribution to ecological agriculture development and environmental protection in Fujian province, Mr. Chi was awarded the Outstanding Young Entrepreneurs Award of Fujian Province（福建省優秀青年企業家）in 2002. He is currently the Vice Chairman of the Youth Business Association of Fujian Province（福建省青年商會）.

SHUM Sai Chit（沈世捷）("Mr. Shum"): aged 46, is the Vice President and Chief Operation Officer of the Group responsible for investment and commercial activities of the Group in Hong Kong. Mr. Shum is a graduate from Longxi Finance Training College（龍溪地區財貿幹部學校）specializing in Consumer Product Pricing Statistics. Mr. Shum joined Fujian Textiles Import and Export Corporation（福建省紡織品進出口公司）as a manager in 1984 responsible for importing and exporting of textile products. Mr. Shum moved to reside in Hong Kong in 1994 and became a permanent resident of Hong Kong in June 2001. In November 1994, Mr. Shum became a shareholder and managing director of Go Modern Limited which was principally engaged in the business of manufacturing and trading of textile products in Hong Kong. Mr. Shum joined the Group in January 2002. Both Go Modern Limited and Mr. Shum are initial management shareholders (within the meaning of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules")).

Directors and Senior Management Profile

ZHOU Xing Dun (周性敦) ("Professor Zhou"): aged 64, is the Chief Technology Officer of the Group responsible for technical development of products and research and development of new organic fertilizer applications for the Group. Professor Zhou is also the General Manager of Sanming. Professor Zhou is a graduate from Beijing Geological Institute (北京地質學院), presently known as China Geological University (中國地質大學), in the PRC in 1962. Before joining the Group in January 2002, Professor Zhou was a professor at the Institute of Natural Resource and Environment of Fujian Agriculture and Forestry University (福建農林大學資源與環境學院) in the PRC. He was also a senior technical consultant of the Technology Development Center of Fujian Agriculture University (福建農業大學科技開發中心) in the PRC. Professor Zhou has over 30 years of experience in the field of geology, ecology, fertilizer and environmental protection. In February 1997, his research project on organic fertilizer production technology was awarded the bronze metal prize by Fujian Innovation Association (福建省發明協會). Professor Zhou is currently a member of the Advisory Panel of Fuzhou Municipal People 's Government in relation to city waste re-utilization (福州市人民政府城市垃圾資源化利用專家顧問組顧問).

NON-EXECUTIVE DIRECTORS

WONG May Yuk (黃美玉) ("Ms. Wong"): aged 61, is an initial management shareholder (as defined in the GEM Listing Rules) and the Chairman of Go Modern Limited. Both Ms. Wong and Go Modern Limited are initial management shareholders. Ms. Wong has over 30 years experience in garment manufacturing, trading, property development in both Hong Kong and the PRC. Ms. Wong is also the Vice Chairman of a private school, the Fuzhou Li Ming Private School (福州黎明私立學校), and a director of a public high-school, the Fuzhou Yan An High School (福州延安中學), in Fuzhou, Fujian Province, the PRC. Ms. Wong joined the Group in October 2003.

ZOU Li (鄒勵) ("Ms. Zou"): aged 36, is an initial management shareholder. Ms. Zou is a graduate from Fujian Government Departments Open University (福建省直屬機關業餘大學) in the PRC with a major in Finance. Ms. Zou has 15 years of experience in corporate accounting in the PRC. Before joining the Group in January 2000, Ms. Zou worked for Fuzhou Yinguang Factory (福州市瀛光工業綜合廠), a collectively owned enterprise in the PRC and Fujian Zhuang Zhuan Property Company Ltd. (福建壯昌房地產有限公司), a private enterprise in the PRC. Ms. Zou is not involved, and has no plan to be involved in the daily management and operations of any member of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

SHEN Yi Min (沈毅民) ("Mr. Shen"): aged 40, is presently a partner of Fujian Zhi Li Law Office (福建至理律師事務所) in the PRC. Mr. Shen is a qualified lawyer to practise securities laws in the PRC. He is a graduate from Fudan University (復旦大學) with a major in Economics Law. Mr. Shen had been the former principal of Fujian Fuzhou Foreign Economics Law Office (福建省福州市對外經濟律師事務所). He was also appointed the legal consultant to the Fuzhou Municipal People 's Government between 1994 and 1995.

CHEUNG Sound Poon (張省本) ("Mr. Cheung"): aged 42, is presently a senior manager at Chui & Kwok (CPA), an audit firm in Hong Kong. He was a senior auditor at Gary W. K. Yam & Co. (CPA), an audit firm in Hong Kong, of which he was with between June 1979 and May 1987. He then joined another audit firm in Hong Kong as an audit manager before joining Chui and Kwok. Mr. Cheung has had over 20 years of experience in auditing and accounting in Hong Kong.

SENIOR MANAGEMENT

REN Jian Fei (任建飛) ("Mr. Ren"): aged 44, is the Vice President and Chief Corporate Affairs Officer responsible for the overall corporate activities of the Group including public relations and communications management of the Group. Mr. Ren graduated from Fujian Economic Management Officials College (福建經濟管理幹部學院) with a major in Politics in July 1987. He also completed a postgraduate study course at the Postgraduate School of Xiamen University (廈門大學) with a major in Business Administration in January 1998. Before joining the Group in January 2000, he was an executive at a large manufacturer of agriculture- related raw material products in the PRC responsible for administration of corporate activities.

SHI Li Ping (師力平) ("Mr. Shi"): aged 47, is the Vice President and Chief Production Officer responsible for microbe processing and fertilizer production of the Group. Mr. Shi is a graduate from the Artillery College of the PRC Liberation Army (中國人民解放軍炮兵學院) specialising in Artillery Military Affairs. In 1999, he was the general manager of a production plant of Chaoda Modern Agriculture Group (超大現代農業集團) in Fuzhou. He is experienced in agriculture products production management.

ZHENG Xiang Yuan (鄭祥源): aged 36, is the Vice President and Chief Sales Officer of the Group responsible for product sales and marketing. He is a graduate from Zhongshan University (中山大學) in the PRC with a Bachelor degree in Law. Before joining the Group in January 2000, he was the marketing manager and special assistant to the general manager of Fujian Sanjiang Group in the PRC. He is experienced in marketing and product distribution in Fujian province, the PRC.

Directors and Senior Management Profile

LIU Lian Ya (劉聯雅): aged 29, is the Deputy Chief Technology Officer of the Group responsible for microbe extraction and production, and research and development of microbial fertilizer production technologies. He holds a Bachelor's degree in Bio-chemical Engineering from Zhejiang University (浙江大學) in the PRC. Mr. Liu was involved in the initial research and development project of microbial compound fertilizer in early 1998. Prior to joining the Group in October 1999, he was a technician at 福州抗生素集團公司 (Fuzhou Antibiotic Group) in the PRC and was experienced in organic fertilizer products development and production.

ZHAO Hua (趙華): aged 39, is the Finance Manager of the Group. She is a graduate from Jiangxi Broadcasting and Television University (江西廣播電視大學) in the PRC with a major in Accounting. She became a qualified accountant in the PRC in October 1994. Prior to joining the Group in January 2000, she worked as accountant at a number of companies in the PRC including Guangzhou Yafang Co., Ltd. Nanchang Branch (廣州雅芳有限公司南昌公司) and Guangdong Huizhou Dayawan Investment Co., Ltd. (廣東惠州大亞灣投資發展總公司) and is experienced in corporate accounting management.

LUO Sheng Long (羅勝龍): aged 32, is a Project Manager of the Group. He is a graduate from Fujian Agriculture University (福建農業大學) with a major in Green Nursery (園藝). He was promoted to the position of assistant agricultural technician (農藝師) in the PRC in February 2000. Prior to joining the Group in May 2000, he worked at the agricultural production technologies promotion centre (福建省清流縣農業技術推廣站) in Qing Liu County, Fujian province, responsible for providing technical support to farmers in relation to agricultural production.

QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

TANG Ying Kit (鄧英傑): aged 30, is the Chief Financial Officer and Company Secretary of the Group. Prior to joining the Group in April 2003, he served as the finance manager with Guangdong Assets Management Limited and Guangdong Enterprise (Holdings) Limited for a total of 5 years. He has a Bachelor degree in Business Administration in Finance from the Hong Kong University of Science and Technology and is an associate member of the Hong Kong Society of Accountants and a member of the Association of Chartered Certified Accountants and an associate member of the Chartered Institute of Management Accountants.

The Directors present their first annual report together with the audited accounts of the Company for the year ended 31 December 2003 and the proforma accounts of the Group for the year ended 31 December 2003.

GROUP REORGANISATION AND BASIS OF PRESENTATION

Century Sunshine was incorporated in the Cayman Islands on 21 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to the Reorganisation in preparation for the listing of the Shares on GEM (the "Listing"), the Company became the holding company of its subsidiaries. Details of the Reorganisation were set out in the Prospectus.

Although the current group structure resulting from the Reorganisation did not legally exist until 30 January 2004, the Directors consider that meaningful information is provided by treating the Group as a continuing entity. Accordingly, the proforma accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the Group throughout the two years ended 31 December 2003, or from the respective dates of incorporation, whichever is a shorter period. Proforma accounts of the Group, based on the Group structure following the completion of the Reorganisation, are set out on pages 47 to 74 of the annual report.

The Shares have been listed on GEM since 17 February 2004 (the "Listing Date").

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. It did not trade during the period from its date of incorporation on 21 January 2003 to the date of the completion of the Reorganisation.

Particular of the companies which became the Company's subsidiaries on 30 January 2004 are set out in Note 14 to the proforma accounts on page 64 of the annual report.

RESULTS AND APPROPRIATIONS

The results of the Company for the period from 21 January 2003 (date of incorporation) to 31 December 2003 are set out in the profit and loss account on page 36 of the annual report.

The proforma results of the Group for the year ended 31 December 2003 are set out in the proforma consolidated profit and loss accounts on page 47 of the annual report.

DIVIDENDS

No dividends have been paid or declared by the Company since the date of its incorporation. The Directors do not recommend the payment of a final dividend.

RESERVES

Movements in the reserves of the Company during the period are set out in the statement of changes in equity on page 38 of the annual report.

Movement in the reserves of the Group during the year are set out in Note 24 to the proforma accounts.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 13 to the proforma accounts.

INTANGIBLE ASSETS

Details of the movements in intangible assets of the Group are set out in Note 15 to the proforma accounts.

SHARE CAPITAL

Details of the share capital of the Company are set out in Note 8 to the accounts.

DISTRIBUTABLE RESERVES

Under the Companies Law of the Cayman Islands, share premium is distributable to shareholders, subject to the condition that immediately following the date on which the distribution or dividend is proposed to be made, the Company is able to pay its debts as they fall due in the ordinary course of business.

As at 31 December 2003, the Company did not have any reserves available for distribution to shareholders (2002: Nil).

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's article of association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

FINANCIAL SUMMARY

A summary of the proforma results and of the proforma consolidated assets and liabilities of the Group is set out on pages 12 to 13 of the annual report.

DIRECTORS

The Directors during the period and up to the date of this report were as follows:

Executive Directors

Chi Wen Fu *(Chairman)*	(Appointed on 11 March 2003)
Shum Sai Chit	(Appointed on 11 March 2003)
Zhou Xing Dun	(Appointed on 16 May 2003)

Non-Executive Directors

Zou Li	(Appointed on 11 March 2003)
Wong May Yuk	(Appointed on 16 May 2003)

Independent Non-Executive Directors

Shen Yi Min	(Appointed on 16 May 2003)
Cheung Sound Poon	(Appointed on 16 May 2003)

In accordance with Article 87 of the Company's articles of association, Mr. Shum Sai Chit and Professor Zhou Xing Dun will retire from office by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for election.

Mr. Shen Yi Min and Mr. Cheung Sound Poon are independent non-executive Directors and were appointed for a two-year term expiring on 30 January 2006.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Each of Mr. Chi Wen Fu, Mr. Shum Sai Chit and Professor Zhou Xing Dun has entered into a director's service agreement dated 31 January 2004 with the Company under which each has been appointed to act as an executive Director for an initial term of three years commencing from the Listing Date, and will continue thereafter until the agreement is terminated by either party giving to the other party not less than three calendar months' notice in writing. Each of these executive Directors is entitled to the basic salary set out below (subject to an annual increment after 31 December 2004 at the discretion of the Board). In addition, each of the executive Directors is also entitled, in respect of the financial year ending 31 December 2004 and each financial year thereafter, to a discretionary management bonus provided that the aggregate amount of the bonuses payable to all the executive Directors in respect of any financial year of the Company may not exceed 5% of the audited consolidated net profits of the Group (after taxation and minority interests and the payment of such management bonuses but before extraordinary and exceptional items) in respect of that financial year. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the monthly salary, the discretionary bonus or other benefits or allowances payable to him. The current basic annual salaries of the executive Directors are as follows:

Name	Amount
Mr. Chi Wen Fu	HK$60,000
Mr. Shum Sai Chit	HK$300,000
Professor Zhou Xing Dun	HK$60,000

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of Directors and senior management are set out on pages 21 to 24 of the annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

SHARE OPTION SCHEME

As at 31 December 2003, the Group has not adopted any share option scheme and not granted any option.

On 31 January 2004, a share option scheme was approved and adopted by the written resolutions of the Company's then sole shareholder, Alpha Sino (the "Share Option Scheme"). Under the Share Option Scheme, inter alias, full-time employees of the Group may be granted options to subscribe for Shares as incentive and/or rewards for, among other things, their contribution and support to the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2003, the Company had no notice of any interests to be recorded under Section 352 of the Securities and Futures Ordinance, Chapter 571 of the Laws of the Hong Kong Special Administrative Region ("SFO") as the Company had not been listed on GEM of the Stock Exchange as at that date.

Upon listing of the Shares on GEM on 17 February 2004 and up to the date of this report, the interests of each Director and chief executive in the shares of the Company and its associated corporations (within the meaning of the SFO), as recorded in the register maintained by the Company under Section 352 of the SFO or as notified to the Company were as follows:

(a) Long positions in Shares

	Number of Shares				Percentage
Name	Personal interests	Family interests	Corporate interests	Other interests	of holding of Shares
Mr. Chi	–	–	193,696,970 (Note 1)	–	60.53%
Mr. Shum	–	–	30,303,030 (Note 2)	–	9.47%
Ms. Wong	–	–	30,303,030 (Note 3)	–	9.47%

Notes:

1. Mr. Chi is beneficially interested in 80% of the entire issued share capital of Alpha Sino, a company incorporated on 18 December 2002 under the laws of the British Virgin Islands with limited liability, which in turn holds 193,696,970 Shares on the Listing Date and up to the date of this report. The interests of Mr. Chi are accordingly "corporate interests" as described in Section 344 of the SFO.

2. Mr. Shum is beneficially interested in 50% of Go Modern Limited, a company incorporated under the Companies Ordinance, Chapter 32 of the Laws of Hong Kong with limited liability, which in turn holds 30,303,030 Shares on the Listing Date and up to the date of this report. The interests of Mr. Shum are accordingly "corporate interests" as described in Section 344 of the SFO.

3. Ms. Wong is beneficially interested in 50% of Go Modern Limited which in turn holds 30,303,030 Shares on the Listing Date and up to the date of this report. The interests of Ms. Wong are accordingly "corporate interests" as described in Section 344 of the SFO.

(b) Long positions in the shares of Alpha Sino, an associated corporation of the Company

	Number of shares of Alpha Sino of US$1 each			
Name	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**
Mr. Chi	8	–	–	–
Ms. Zou	2	–	–	–

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the Company had no notice of any interests to be recorded under Section 336 of the SFO as the Company had not been listed on GEM of the Stock Exchange as at that date.

Since the Listing Date and up to the date of this report, the register of substantial shareholders maintained by the Company under Section 336 of the SFO shows that the following companies had interests or Long positions in the Shares:

Name	**Number of Shares**	**Percentage of holding of Shares**
Alpha Sino (Note 1)	193,696,970	60.53%
Go Modern Limited (Note 2)	30,303,030	9.47%
Qi Yuan Asset Management (H.K.) Ltd.	19,295,000	6.03%

Notes:

1. The entire issued share capital of Alpha Sino is beneficially owned as to 80% and 20% by Mr. Chi and Ms. Zou, respectively.

2. The entire issued share capital of Go Modern Limited is beneficially owned as to 50% each by Mr. Shum and Ms. Wong.

MAJOR CUSTOMERS AND SUPPLIERS

The percentage of purchases and sales for the year attributable to the Group's major suppliers and customers are as follows:

Purchases	
– the largest supplier	48%
– five largest suppliers combined	78%
Sales	
– the largest customer	12%
– five largest customers combined	36%

None of the Directors, their associates or any shareholder (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had an interest in the major suppliers or customers noted above, except for the transactions as disclosed under the sub-section "Connected transactions" note (b)(ii) below.

CONNECTED TRANSACTIONS

(a) Significant related party transactions entered by the Group during the year ended 31 December 2003, which do not constitute connected transactions under the GEM Listing Rules, are disclosed in Note 26 to the proforma accounts.

(b) Other related party transactions, which constitute connected transactions under the GEM Listing Rules, required to be disclosed in accordance with Chapter 20 of the GEM Listing Rules, are as follows:

(i) Green Land Bio-Products Co. Ltd. ("Green Land"), an indirect wholly owned subsidiary of the Company after the completion of the Reorganisation, had in its ordinary and usual course of business and on normal commercial terms, sold to 三明市世紀陽光農業科技開發有限公司 ("San Ming") certain of the Group's fertilizer products at the same prices as those to the Group's appointed distributors who are independent third parties. San Ming is owned as to 80% and 20% by Green Land and Mr. Chi Wen Qiang, the brother of Mr. Chi, respectively. The sales amounted to Rmb4,730,000 (2002: Rmb5,319,000), representing approximately 9% (2002: 12%) of the Group's total turnover. San Ming is not the end-users of the Group's products. The products provided by Green Land were subsequently sold by San Ming directly to customers.

(ii) The Group sourced processing material compound and packaging materials from 福州嘉惠經貿有限公司 ("Jia Hui") with respect to transactions with Ms. Chi Bi Fen, the sister of Mr. Chi. Purchases from Jia Hui were approximately Rmb1,948,000 (2002: Rmb10,685,000), accounting for approximately 9% (2002: 66%) of the Group's total purchase of raw materials. The Directors are of the view that such purchases were conducted on normal commercial terms. The Group sources all of its raw materials from suppliers who are independent third parties after the Listing in order to avoid connected transactions. The Directors believe that the raw materials used by the Group have abundant supply in Fujian province, the PRC.

(iii) 福州名將文化傳播有限公司 ("Ming Jiang") is principally engaged in the business of design, production and distribution of advertising materials. The Group paid to Ming Jiang, with respect to transactions with Ms. Chi Bi Fen, the sister of Mr. Chi, advertising fees in the amount of Rmb259,000 (2002: Rmb1,209,000) for its provision of design, production and distribution of advertising materials for the Group's fertilizer products. The Directors are of the view that such transactions were conducted on normal commercial terms. Such transactions have not been continued following the Listing in order to avoid connected transactions. The Group has engaged other advertising agencies for its business promotion needs.

The independent non-executive Directors had reviewed the connected transaction set out in (i) above for which the Stock Exchange has granted a waiver from the relevant requirements of the Listing Rules and confirmed that:

(a) the transactions have been entered into in the ordinary and usual course of business of the Group;

(b) the transactions have been entered into on normal commercial terms or on the terms no less favourable than terms available to or from independent third parties;

(c) the transactions have been entered into in accordance with the Fertilizer Sales Agreement dated 31 January 2004 between Green Land and Sanming (the "Fertilizer Sales Agreement");

(d) the transactions have been entered into at prices or on terms which are fair and reasonable so far as the independent shareholders are concerned;

(e) the value of amount receivable or payable (as the case may be) in respect of the transactions does not exceed the cap of RMB 5,100,000 in 2003 under the Fertilizer Sales Agreement.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year, none of the Directors or the management shareholders or substantial shareholders of the Company had an interest in a business which competed with or might compete with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

SPONSOR'S INTERESTS

To the best knowledge of the Company's sponsor, CSC Asia Limited, its directors, employees or associates (as referred to in Note 3 Rule 6.35 of the GEM Listing Rules) did not have any interest in the securities of the Company as at the date of this report.

Pursuant to the sponsor's agreement dated 4 February 2004 entered into between the Company and the sponsor, the sponsor has received and shall receive an annual fee for acting as the Company's retained sponsor for the period from the Listing Date to 31 December 2006.

BOARD PRACTICES AND PROCEDURES

Since the Listing Date, the Company was in compliance with the Board Practices and Procedures as set out in rules 5.28 to 5.39 of the GEM Listing Rules.

AUDIT COMMITTEE

The written terms of reference which describe the authority and duties of the audit committee of the Company (the "Audit Committee") were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the Group audit. It also reviews the effectiveness of both the external and internal audit and of internal controls and risk evaluation. The Audit Committee has three members comprising the two independent non-executive Directors, namely Mr. Shen Yi Min and Mr. Cheung Sound Poon, and an executive Director, Mr. Shum. Mr. Cheung Sound Poon will serve as the chairman of the Audit Committee.

The Audit Committee is of the opinion that the accounts of the Company and the proforma accounts of the Group comply with applicable accounting standards, GEM Listing Rules and that adequate disclosures have been made.

SUBSEQUENT EVENTS

Details of significant subsequent events are set out in Note 11 to the accounts and Note 29 to the proforma accounts.

AUDITORS

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Chi Wen Fu
Chairman

Hong Kong, 23 March 2004

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

AUDITORS' REPORT TO THE SHAREHOLDERS OF CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the accounts on pages 36 to 45 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2003 and of its loss and cash flows for the period from 21 January 2003 (date of incorporation) to 31 December 2003 and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2004

Profit and Loss Account

For the period from 21 January 2003 (date of incorporation) to 31 December 2003

	Note	RMB'000
Turnover		–
General and administrative expenses		(72)
Loss for the period	3	(72)

Balance Sheet

As at 31 December 2003

	Note	RMB'000
Current asset		
Bank balance		**1**
		1
Current liabilities		
Amount due to a related company	7	**23**
Accruals		**50**
		73
Total assets less current liabilities		**(72)**
Financed by:		
Share capital	8	**–**
Accumulated loss		**(72)**
Shareholders' deficit		**(72)**

Chi Wen Fu
Director

Shum Sai Chit
Director

Statement of Changes in Equity

For the period from 21 January 2003 (date of incorporation) to 31 December 2003

	RMB'000
Loss for the period	**(72)**
As at 31 December 2003	**(72)**

Cash Flow Statement

For the period from 21 January 2003 (date of incorporation) to 31 December 2003

	RMB'000
Loss before taxation	(72)
Increase in accruals	50
Net cash outflow from operating activities	(22)
Financing activities	
Increase in due to a related company	23
Net cash inflow from financing	23
Increase in bank balance during the period and bank balance as at 31 December 2003	1

1 GROUP REORGANISATION AND BASIS OF PRESENTATION

Century Sunshine Ecological Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands on 21 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation scheme (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the group (the "Group") formed after the completion of the Reorganisation on 30 January 2004. Details of the Reorganisation are set out in the prospectus issued by the Company dated 5 February 2004.

Following completion of the Reorganisation on 30 January 2004, the Company's shares were listed on the Growth Enterprise Market of the Stock Exchange on 17 February 2004.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation of the accounts

(i) The accounts have been prepared on a going concern basis, notwithstanding that the Company has incurred a loss since incorporation and has shareholders' deficit of RMB72,000 and RMB72,000, respectively and net current liabilities of RMB72,000 at 31 December 2003, on the basis that the Company has raised net proceeds from placing and public offer of the Company's shares of approximately HK$33 million subsequent to balance sheet date. The Directors are satisfied that the Company will be able to meet in full its financial obligations when they fall due for the foreseeable future and to continue as a going concern.

(ii) The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

(b) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise deposit held at call with banks.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(d) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. The principal temporary differences arise from tax losses carried forward.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(e) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(f) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

3 LOSS FOR THE PERIOD

Loss for the period is stated after charging the following:

	RMB'000
Auditors' remuneration	**50**

4 TAXATION

No provision for Hong Kong profits tax has been made as the Company has no assessable profit arising in or derived from Hong Kong during the period.

The taxation of the Company's loss before taxation differs from the theoretical amount that would arise using the taxation rate of the Company as follows:

	RMB'000
Loss before taxation	**(72)**
Calculated at a taxation rate of 17.5%	**(13)**
Tax loss of the Company not recognised	**13**
Taxation charge	**–**

5 DIVIDEND

The Directors do not recommend the payments of a dividend for the period from 21 January 2003 (date of incorporation) to 31 December 2003.

6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

None of the directors received or will receive any fees or emoluments in respect of their services to the Company during the period.

No emoluments were paid to senior management as the Company had no employee during the period.

During the period, no emoluments have been paid by the Company to the directors or senior management as an inducement to join or upon joining the Company, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the period.

7 AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest free and has no fixed term of repayments. The related company became the Company's subsidiary pursuant to the Reorganisation completed on 30 January 2004.

8 SHARE CAPITAL

Upon incorporation on 21 January 2003, the Company had an authorised share capital of HK$100,000 comprising 1,000,000 ordinary shares of HK$0.10 each. On 11 March 2003, one ordinary share was allotted and issued at par and fully paid. At the same date, 999,999 ordinary shares were allotted and issued at par, nil paid.

Changes in the share capital of the Company subsequent to 31 December 2003 are set out in Note 11 below.

9 SHARE OPTION SCHEME

At 31 December 2003, the Company has not adopted any share option scheme and not granted any option.

Pursuant to a written resolution of the shareholders of the Company dated 31 January 2004, a share option scheme ("Share Option Scheme") was approved and adopted.

Under the Share Option Scheme, the directors may, at their sole discretion, grant to any employee of the Group to take up options at HK$1 per option to subscribe for shares of the Company at the higher of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

9 SHARE OPTION SCHEME (CONTINUED)

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 32,000,000 shares, representing 10% of the shares in issue upon completion of the placing and public offer and the capitalisation issue of the shares of the Company.

As at the date of approval of accounts, no options had been granted under the Share Option Scheme.

10 RESERVE

The Company had no distributable reserve available for distribution to shareholders at 31 December 2003.

11 SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2003:

On 30 January 2004, the Company completed the Reorganisation in preparation for the listing of shares of the Company on the Growth Enterprise Market of the Stock Exchange. Details of the Reorganisation and alternations in the share capital of the Company are as follows:

(a) On 30 January 2004, the authorised share capital of the Company was increased from HK$100,000 to HK$1,700,000 by the creation of an additional 16,000,000 shares of HK$0.10 each to rank pari passu with the existing shares in all respects, all such shares were allotted and issued, credited as fully paid, as described in Note 11(b) below.

(b) On 30 January 2004, Alpha Sino International Limited ("Alpha Sino") transferred 20 shares of US$1 each in the capital of New Bright Group Limited to the Company in consideration of, and in exchange for, the allotment and issue of 16,000,000 shares, credited as fully paid to Alpha Sino, and the Company also credited as fully paid at par the 999,999 shares allotted and issued, nil paid, on 11 March 2003 (see Note 8). Therefore, Alpha Sino became the ultimate holding company of the company.

(c) On 31 January 2004, the authorised share capital of the Company was increased from HK$1,700,000 to HK$100,000,000 by the creation of an additional 983,000,000 shares of HK$0.10 each.

11 SUBSEQUENT EVENTS (CONTINUED)

(d) On 17 February 2004, 80,000,000 ordinary shares of HK$0.10 each were issued at HK$0.55 each by way of placing and public offer, resulting in net cash proceeds of approximately HK$33 million. The excess over the par value of the shares was credited to the share premium account.

At the same date, the shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited.

(e) Immediately after the placing and public offer mentioned in Note 11(d) above, share premium of HK$22,300,000 was capitalised for the issuance of 223,000,000 shares of HK$0.10 each on a pro-rata basis to shareholders of the Company at the close of business on 5 February 2004.

12 ULTIMATE HOLDING COMPANY

Following the Reorganisation as mentioned in Note 11, the Directors regard Alpha Sino International Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company of the Company.

13 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 23 March 2004.

Auditors' Report to the Directors of the Company

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

AUDITORS' REPORT TO THE DIRECTORS OF CENTURY SUNSHINE ECOLOGICAL TECHNOLOGY HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the proforma accounts on pages 47 to 74 which have been prepared in accordance with accounting policies set out in note 2 to the proforma accounts which comply with accounting principles generally accepted in Hong Kong, except that the effects of the group reorganisation entered into after the balance sheet date have been accounted for using merger accounting which is not in compliance with the requirements of Statement of Standard Accounting Practice 2.127 "Accounting for group reconstructions" ("SSAP 27") issued by the Hong Kong Society of Accountants. Although the group reorganisation meets the definition of a group reorganisation under SSAP 27, SSAP 27 specifies that accounts should not incorporate a combination which occurs after the date of the most recent balance sheet included in the accounts.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of proforma accounts which are properly prepared in accordance with the accounting policies set out on note 2 to the proforma accounts. In preparing such proforma accounts it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those proforma accounts and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the content of this report.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the proforma accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the proforma accounts, and of whether the accounting policies are appropriate to the circumstances of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the proforma accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the proforma accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the proforma accounts for the year ended 31 December 2003 have been properly prepared in accordance with the accounting policies set out in note 2 to the proforma accounts and the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2004

Proforma Consolidated Profit and Loss Accounts

For the year ended 31 December 2003

	Note	2003 RMB'000	2002 RMB'000
Turnover	3	**55,468**	42,630
Cost of sales		**(24,364)**	(19,177)
Gross profit		**31,104**	23,453
Distribution and selling expenses		**(3,094)**	(3,241)
General and administrative expenses		**(4,348)**	(2,702)
Research and development costs		**(2,125)**	(4,079)
Operating profit	5	**21,537**	13,431
Finance costs	6	**(343)**	(230)
Profit before taxation		**21,194**	13,201
Taxation	7	**(29)**	(11)
Profit after taxation		**21,165**	13,190
Minority interests		**202**	226
Profit attributable to shareholders		**21,367**	13,416
Dividends	8	**–**	–
Proforma earnings per share	9	**RMB8.90 cents**	RMB5.59 cents

Proforma Consolidated Balance Sheets

As at 31 December 2003

	Note	2003 RMB'000	2002 RMB'000
Non-current assets			
Fixed assets	13	**16,010**	6,356
Intangible assets	15	**1,948**	2,899
		17,958	9,255
Current assets			
Inventories	16	**3,589**	1,847
Trade receivables	17	**9,673**	5,915
Prepayments, deposits and other receivables	18	**11,425**	4,588
Cash and bank balances	19	**4,655**	1,694
		29,342	14,044
Current liabilities			
Short-term bank loans	20	**7,800**	3,000
Trade payables	21	**63**	20
Accruals and other payables		**1,769**	1,082
Taxation payable		**29**	11
		9,661	4,113
Net current assets		**19,681**	9,931
Total assets less current liabilities		**37,639**	19,186
Financed by:			
Share capital	22	**1,802**	1,802
Reserves	24	**31,666**	13,006
Shareholders' funds		**33,468**	14,808
Minority interests		**905**	1,107
Non-current liabilities			
Due to shareholders	26	**3,266**	3,271
		37,639	19,186

Chi Wen Fu
Director

Shum Sai Chit
Director

Proforma Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	Note	2003 RMB'000	2002 RMB'000
As at 1 January		**14,808**	2,027
Profit for the year	24	**21,367**	13,416
Issue of shares of a subsidiary	24	**–**	1
Share issuance costs	24	**(2,707)**	(636)
As at 31 December		**33,468**	14,808

Proforma Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Note	2003 RMB'000	2002 RMB'000
Profit before taxation		**21,194**	13,201
Interest expense		**343**	230
Depreciation of fixed assets		**1,171**	800
Amortisation of intangible assets		**951**	951
Loss on disposal of fixed assets		**–**	13
Operating profit before working capital changes		**23,659**	15,195
Increase in inventories		**(1,742)**	(426)
Increase in trade receivables		**(3,758)**	(4,006)
Increase in prepayments, deposits and other receivables		**(6,837)**	(2,782)
Increase/(Decrease) in trade payables		**43**	(2,034)
Increase/(Decrease) in accruals and other payables		**687**	(51)
Income tax paid		**(11)**	–
Net cash inflow from operating activities		**12,041**	5,896
Investing activities			
Purchase of fixed assets		**(10,825)**	(3,916)
Decrease in amounts due from related parties		**–**	379
Decrease in loan receivable		**–**	1,438
Net cash outflow from investing activities		**(10,825)**	(2,099)
Financing activities	25		
Decrease in amounts due to shareholders		**(5)**	(942)
Decrease in amount due to a minority shareholder of a subsidiary		**–**	(300)
Increase in short-term bank loans		**5,000**	–
Repayment of short-term bank loans		**(200)**	–
Proceeds from issue of shares of a subsidiary		**–**	1
Share issuance costs		**(2,707)**	(636)
Interest paid		**(343)**	(230)
Net cash inflow/(outflow) from financing		**1,745**	(2,107)
Increase in cash and bank balances		**2,961**	1,690
Cash and bank balances, beginning of year		**1,694**	4
Cash and bank balances, end of year		**4,655**	1,694

1 GROUP REORGANISATION AND BASIS OF PRESENTATION

Century Sunshine Ecological Technology Holdings Limited (the "Company") was incorporated in the Cayman Islands on 21 January 2003 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation scheme (the "Reorganisation") in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the holding company of the subsidiaries (collectively the "Group"), details of which are set out on Note 14 to the proforma accounts.

Following completion of the Reorganisation on 30 June 2004, the Company shares were listed on the GEM of the Stock Exchange on 17 February 2004.

2 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these proforma accounts are set out below:

(a) Basis of preparation of proforma accounts

Although the current group structure resulting from the Reorganisation, as referred to in note 1 to the proforma accounts, did not legally exist until 30 January 2004, the Directors consider that meaningful information is provided by treating the Group as a continuing entity. Accordingly, the proforma accounts have been prepared on the basis of merger accounting as if the Company had been the holding company of the companies comprising the Group throughout the two years ended 31 December 2003, or from the respective dates of incorporation, whichever is a shorter period.

The proforma accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA") except for the adoption of merger accounting which is not in compliance with the requirements of Statement of Standard Accounting Practice 2.127 "Accounting for group reconstructions" ("SSAP 27") issued by the HKSA as described in note 2(b) below. The proforma accounts have been prepared under the historical cost convention.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of consolidation

The proforma accounts incorporate the effect of the Reorganisation completed on 30 January 2004 (as described in note 2(a) above). For the purposes of the proforma accounts presentation, the Reorganisation has been accounted for on the basis of merger accounting. This treatment is not in compliance with SSAP 27 because, although the Reorganisation meets the definition of a group reorganisation under SSAP 27, SSAP 27 specifies that the accounts should not incorporate a combination which occurs after the date of the most recent balance sheet included in the accounts.

The proforma accounts incorporate the accounts of the Company and its subsidiaries made up to 31 December 2003.

Subsidiaries are those entities in which the Group, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of minority shareholders in the operating results and net assets of the subsidiary.

(c) Intangible assets

(i) Research and development costs

Research costs are expensed as incurred. Costs incurred on development projects relating to the design and testing of new or improved products are recognised as an intangible asset where the technical feasibility and intention of completing the product under development has been demonstrated and the resources are available to do so, costs are identifiable and there is an ability to sell or use the asset that will generate probable future economic benefits. Such development costs are recognised as an asset and amortised on a straight-line basis over a period of not more than 5 years to reflect the pattern in which the related economic benefits are recognised. Development costs that do not meet the above criteria are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Intangible assets (continued)

(ii) Technical know-how

Expenditure on acquired technical know-how is capitalised and amortised using the straight-line method over the useful live of 5 years, from the date when the technical know-how is available for use.

(iii) Impairment of intangible assets

Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

(d) Fixed assets

(i) Construction-in-progress

Construction-in-progress, represents buildings on which construction work has not been completed and machinery pending installation, is stated at cost, which includes construction expenditures incurred, cost of machinery, interest capitalized and other direct costs capitalised during the construction and installation period, less accumulated impairment losses, if any. On completion, the construction-in-progress is transferred to appropriate categories of fixed assets.

(ii) Other fixed assets

Other fixed assets, comprising leasehold improvements, plant and machinery and furniture and office equipment, are stated at costs less accumulated depreciation and accumulated impairment losses.

(iii) Depreciation

No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and put into use.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	20%
Plant and machinery	20%
Furniture and office equipment	20%

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Fixed assets (continued)

(iii) Depreciation (continued)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the proforma consolidated profit and loss account.

Improvements are capitalised and depreciated over their expected useful lives.

(iv) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in construction-in-progress and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the proforma consolidated profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the proforma consolidated profit and loss account.

(e) Government grants

A government grant is initially recognised, as deferred income, when there is reasonable assurance that the Group will comply with the conditions attaching with it and that the grant will be received.

Grants relating to income are recognised in the proforma consolidated profit and loss over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to the purchase of fixed assets are included in non-current liabilities as deferred income and are credited to the proforma consolidated profit and loss account on a straight line basis over the expected lives of the related assets.

(f) Inventories

Inventories comprise stocks and work-in-progress and are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(g) Trade receivable

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the proforma consolidated balance sheet are stated net of such provision.

(h) Cash and cash equivalents

Cash and cash equivalents are carried in the proforma consolidated balance sheet at cost. For the purposes of the proforma consolidated cash flow statement, cash and cash equivalents comprise cash on hand and deposits held at call with banks.

(i) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(j) Employee benefits

(i) Employee leave entitlement

Employee entitlement to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liabilities for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligation

The Group's contributions to the defined contribution retirement scheme are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

(k) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the proforma accounts. The principal temporary differences arise from depreciation on fixed assets and tax losses carried forward.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(k) Deferred taxation (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(l) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the proforma accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(m) Revenue recognition

Revenue from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

Interest income is recognised on a time proportion basis on the principal outstanding and at the rates applicable.

(n) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the proforma consolidated profit and loss account in the year in which they are incurred.

(o) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the proforma consolidated profit and loss account on a straight-line basis over the lease periods.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(p) **Segment reporting**

In accordance with the Group's internal financial reporting the Group has determined that business segment be presented as the primary reporting format and geographical as the secondary reporting format.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

(q) **Translation of foreign currencies**

Transactions in foreign currencies are translated of exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the proforma consolidated profit and loss accounts.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date, while the profit and loss accounts are translated at an average exchange rate. Exchange differences are dealt with as a movement in reserves.

3 TURNOVER AND REVENUE

The Group is engaged in the manufacturing and trading of agricultural organic fertilizers. Revenues recognised during the year are as follows:

	2003 RMB'000	2002 RMB'000
Sales of		
– Microbial compound fertilizers	**23,557**	18,121
– Organic tea fertilizers	**17,390**	14,231
– Premium organic fertilizers	**2,177**	1,119
– Organic compound fertilizers	**12,344**	9,159
Total revenues	**55,468**	42,630

4 SEGMENTAL INFORMATION

No segmental information is presented as the Group is principally engaged in the manufacturing and trading of agricultural organic fertilizers to customers in Mainland China. Accordingly, the Directors consider there is only one business segment and one geographical segment.

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	2003 RMB'000	2002 RMB'000
Auditors' remuneration	**517**	21
Amortisation of intangible assets	**951**	951
Depreciation of fixed assets	**1,171**	800
Loss on disposal of fixed assets	**–**	13
Operating lease rental expense of land and buildings	**462**	171
Provision for bad and doubtful debts	**328**	181
Staff costs (including directors' emolument) (Note 10)	**2,343**	2,225

6 FINANCE COSTS

	2003 RMB'000	2002 RMB'000
Interest expense on short-term bank loans	**463**	230
Less: government grant	**(120)**	–
	343	230

During the year, the Group received a project loan interest payment subsidy of RMB120,000 from local government authority in Mainland China, which was deducted against the interest expense on relevant bank loan.

7 TAXATION

The amount of taxation charged to the proforma consolidated profit and loss account represents:

	2003 RMB'000	2002 RMB'000
Current taxation		
– Mainland China enterprise income tax	**29**	11

7 TAXATION (CONTINUED)

The taxation of the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of the subsidiaries operating in Mainland China as follows:

	2003 RMB'000	2002 RMB'000
Profit before taxation	**21,194**	13,201
Calculated at a taxation rate of 33%	**6,994**	4,356
Tax loss of the Company and its subsidiaries not recognised	**259**	34
Effect of different taxation rates	**312**	274
Effect of expenses not deductible for taxation	**381**	947
Effect of income not subject to taxation	**(7,917)**	(5,584)
Utilisation of previously unrecognised tax losses	**–**	(16)
Taxation charge	**29**	11

(a) **Hong Kong profits tax**

No provision for Hong Kong profits tax has been made as the Group had no assessable profit arising in or derived from Hong Kong during the year (2002: Nil).

(b) **Mainland China enterprise income tax ("Mainland China EIT")**

Green Land Bio-Product Co., Ltd. ("Green Land"), a subsidiary engaged in the manufacture and sales of agricultural organic fertilizers, is exempted from Mainland China EIT of a rate 33% according to a written approval from relevant Mainland China tax bureaus for the one-year period ended 31 December 2002.

In October 2002, Green Land became a wholly-foreign-owned enterprise and is entitled to full exemption from Mainland China EIT for two years starting from the year ended 31 December 2003 followed by a 50% reduction for the following three consecutive years in accordance with the relevant tax rules and regulations applicable to foreign investment enterprises in Mainland China. Accordingly, no Mainland China EIT was provided for the year ended 31 December 2003

For the year ended 31 December 2002 and 2003, taxation represented the Mainland China EIT of 三明市世紀陽光農業科技開發有限公司 ("San Ming") which was provided for at a rate of 27%.

7 TAXATION (CONTINUED)

(c) Mainland China value-added tax

The Group's sales of agricultural organic fertilizers were carried out by Green Land and San Ming, which are exempted from Mainland China value-added tax according to relevant Mainland China tax regulations.

(d) Others

No profits tax was provided for the Company and its subsidiaries operating outside Hong Kong and Mainland China as they were not subjected to taxation in their respective jurisdiction of incorporation/operation.

(e) Deferred taxation

The Group had no material unprovided deferred tax as at 31 December 2003 (2002: Nil).

8 DIVIDENDS

No dividend has been paid or declared by the companies now comprising the Group during the year ended 31 December 2003 (2002: Nil).

9 PROFORMA EARNINGS PER SHARE

Basic proforma earnings per share is calculated based on the proforma consolidated profit attributable to shareholders of approximately RMB21,367,000 (2002: RMB13,416,000) and 240,000,000 shares in issue during the years ended 31 December 2002 and 2003, and on the assumption that the Reorganisation and the capitalisation issue of 223,000,000 shares of the Company had been effective on 1 January 2002 (see Note 22).

Diluted proforma earnings per share is not presented as the Company has no dilutive potential ordinary shares as at 31 December 2003 (2002: Nil).

10 STAFF COSTS

	2003 RMB'000	2002 RMB'000
Wages and salaries	**2,025**	1,945
Bonus	**64**	–
Retirement benefit cost (Note 12)	**221**	273
Welfare expenses	**33**	7
	2,343	2,225

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to two executive directors of the Company during the year are as follows:

	2003 RMB'000	2002 RMB'000
Fees	**–**	–
Other emoluments:		
Basic salaries and allowances	**221**	31
Bonus	**64**	–
Retirement benefit cost	**10**	–
	295	31

Each of the two executive directors received individual emoluments of RMB265,000 and RMB30,000 for the year ended 31 December 2003 (2002: individual emolument of nil and RMB31,000) respectively.

No emoluments were paid to other directors of the Company during the year.

The emoluments of each of the directors of the Company were below HK$1,000,000 (equivalent to RMB1,060,000) for the years ended 31 December 2002 and 2003.

None of the directors of the Company waived or agreed to waive any emoluments paid by the companies now comprising the Group during the year (2002: Nil).

11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(b) **Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group for the year include two (2002: one) directors whose emoluments are reflected in the analysis presented in Note 11(a) above. The emoluments payable to the remaining individuals during the year are as follows:

	2003 RMB'000	2002 RMB'000
Basic salaries and allowances	**251**	98
Retirement benefit cost	**10**	–
	261	98

The emoluments of each of the highest paid individuals were below HK$1,000,000 (equivalent to RMB1,060,000) for the years ended 31 December 2002 and 2003.

(c) During the year, no emoluments were paid by the companies now comprising the Group to any of the directors and the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2002: Nil).

12 EMPLOYEE RETIREMENT BENEFITS

The Group operates Mandatory Provident Fund Scheme ("MPF"), a defined contribution scheme, for its Hong Kong employees. The Group contributes 5% of the employees' relevant income each month as defined in the MPF Schemes Ordinance, subject to a maximum of HK$1,000 per person.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China as determined by the local governments, which are defined contribution plans. The Group contributes approximately 14% of the basic salaries of its employees in Mainland China, and has no further obligations for the actual payment of pensions or post-retirement benefits beyond the annual contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

For the year ended 31 December 2003, the aggregate amount of the Group's contributions to the aforementioned pension schemes were approximately RMB221,000 (2002: RMB273,000).

13 FIXED ASSETS

	Leasehold improvements RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Construction–in-progress RMB'000	Total RMB'000
Cost					
As at 1 January 2003	1,155	3,116	29	4,491	8,791
Additions	8	63	–	10,754	10,825
Transfer	1,350	1,684	–	(3,034)	–
As at 31 December 2003	2,513	4,863	29	12,211	19,616
Accumulated depreciation					
As at 1 January 2003	687	1,741	7	–	2,435
Charge for the year	368	798	5	–	1,171
As at 31 December 2003	1,055	2,539	12	–	3,606
Net book value					
As at 31 December 2003	**1,458**	**2,324**	**17**	**12,211**	**16,010**
As at 31 December 2002	468	1,375	22	4,491	6,356

Analysis of construction-in-progress is as follows:

	2003 RMB'000	2002 RMB'000
Construction cost of a factory	**6,980**	1,350
Acquisition of machinery pending installation	**5,231**	3,141
	12,211	4,491

As at 31 December 2003, construction-in-progress included deposits of approximately RMB1,041,000 prepaid to the vendors for acquisition of certain machinery (2002: RMB1,457,000).

14 INVESTMENTS IN SUBSIDIARIES

As at the date of this report, the details of the subsidiaries, pursuant to the Reorganisation are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued share capital/registered capital	Interest held
Directly held				
New Bright Group Limited ("New Bright")	British Virgin Islands 12 December 2002	Investment holding/ Hong Kong	Ordinary US$20	100%
Indirectly held				
Century Sunshine Ecological Technology Limited (formerly known as Century Sunshine Organic Agriculture Limited) ("Century Sunshine")	Hong Kong 5 July 2002	Investment holding/ Hong Kong	Ordinary HK$1,000	100%
Green Land Bio-Product Co., Ltd. ("Green Land")	Mainland China 17 January 2000	Manufacturing and sale of agricultural organic fertilizers in Mainland China	Registered capital Rmb10,500,000 Note (i)	100%
三明市世紀陽光農業科技開發有限公司 ("San Ming")	Mainland China 16 June 2000	Research and development and sale of organic fertilizers in Mainland China	Registered capital Rmb5,000,000 Note (ii)	80%

(i) Green Land was a limited liability company established in Mainland China on 17 January 2000. On 25 October 2002, it became a wholly owned foreign enterprise established in Mainland China to be operated for a period of 15 years up to 2017.

(ii) San Ming is a limited company established in Mainland China on 16 June 2000 to be operated for a period of 10 years up to 2010.

15 INTANGIBLE ASSETS

	Technical know-how RMB'000	Development costs RMB'000	Total RMB'000
Cost			
As at 1 January 2003 and 31 December 2003	3,600	1,156	4,756
Accumulated amortisation			
As at 1 January 2003	1,510	347	1,857
Charge for the year	720	231	951
As at 31 December 2003	2,230	578	2,808
Net book value			
As at 31 December 2003	**1,370**	**578**	**1,948**
As at 31 December 2002	2,090	809	2,899

16 INVENTORIES

Inventories consisted of:

	2003 RMB'000	2002 RMB'000
Raw materials	**2,356**	1,240
Work-in-progress	**885**	512
Finished goods	**348**	95
	3,589	1,847

As at 31 December 2002 and 2003, all inventories are stated at cost.

17 TRADE RECEIVABLES

The normal credit period granted by the Group ranges from 30 to 90 days.

Aging analysis of trade receivables is as follows:

	2003 RMB'000	2002 RMB'000
0 to 30 days	**8,426**	2,198
31 to 60 days	**1,281**	2,122
61 to 90 days	**202**	768
91 to 180 days	**273**	1,008
	10,182	6,096
Less: Provision for bad and doubtful debts	**(509)**	(181)
	9,673	5,915

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Prepayments, deposits and other receivables consisted of:

	2003 RMB'000	2002 RMB'000
Prepayments for		
– subcontracting fees	**2,716**	2,646
– purchasing of raw materials	**1,500**	784
– advertising fees	**1,500**	885
– research and development costs	**4,983**	–
Deposits	**114**	99
Others	**612**	174
	11,425	4,588

19 CASH AND BANK BALANCES

As at 31 December 2003, cash and bank balances of approximately Rmb3,669,000 were kept in Mainland China (2002: Rmb1,694,000). The remittance of these funds out of Mainland China is subject to the foreign exchange control restriction imposed by the government of Mainland China.

20 SHORT-TERM BANK LOANS

As at 31 December 2003, the short-term bank loans were secured, bore interest at rates ranging from approximately 6% to 8% per annum (2002: 6% to 9% per annum) and repayable within one year. Details of the Group's banking facilities are set out in Note 28.

21 TRADE PAYABLES

The normal credit period granted by the Group by its vendors ranges from 30 to 60 days.

Aging analysis of trade receivables is as follows:

	2003 **RMB'000**	2002 RMB'000
0 to 30 days	**55**	19
31 to 90 days	**8**	1
	63	20

22 SHARE CAPITAL

For the purpose of the presentation of the proforma accounts, the balance of the share capital shown in the proforma consolidated balance sheet as at 31 December 2002 and 2003 respectively represented the proforma share capital of the Company as if the Reorganisation and capitalisation issue had been completed on those dates.

	Number of shares	Par value per share	Paid up amount
Share allotted and issued on 11 March 2003 (Notes a and c)	1,000,000	HK$0.10	HK$100,000
Shares allotted and issued for acquisition of subsidiaries (Notes b and c)	16,000,000	HK$0.10	HK$1,600,000
Capitalisation issue credited as fully paid conditional on the share premium account of the Company being credited as a result of the placing and public offer of the Company's shares (Note f)	223,000,000	HK$0.10	–
Proforma share capital	240,000,000	HK$0.10	HK$1,700,000
			RMB1,802,000

Notes:

(a) The Company was incorporated in the Cayman Islands on 21 January 2003 with an authorised share capital of HK$100,000 comprising 1,000,000 ordinary shares of HK$0.10 each. On 11 March 2003, one ordinary share was issued at par and fully paid. At the same date, 999,999 ordinary shares were issued at par, nil paid (See Note 22(c)).

(b) On 30 January 2004, the authorised share capital of the Company was increased from HK$100,000 to HK$1,700,000 by the creation of an additional 16,000,000 shares of HK$0.10 each to rank pari passu with the existing shares in all respects, all such shares were allotted and issued, credited as fully paid, as described in Note 22(c) below.

(c) On 30 January 2004, Alpha Sino International Limited ("Alpha Sino") transferred 20 shares of US$1 each in the capital of New Bright Group Limited to the Company in consideration of, and in exchange for, the allotment and issue of 16,000,000 shares, credited as fully paid to Alpha Sino, and the Company also credited as fully paid at par the 999,999 shares allotted and issued, nil paid, on 11 March 2003 (see Note 22(a)).

22 SHARE CAPITAL (CONTINUED)

(d) On 31 January 2004, the authorised share capital of the Company was increased from HK$1,700,000 to HK$100,000,000 by the creation of an additional 983,000,000 shares of HK$0.10 each.

(e) On 17 February 2004, 80,000,000 ordinary shares of HK$0.10 each were issued at HK$0.55 each by way of placing and public offer, resulting in net cash proceeds of approximately HK$33 million. The excess over the par value of the shares was credited to the share premium account.

(f) Immediately after the placing and public offer mentioned in Note 22(e) above, share premium of HK$22,300,000 was capitalised for the issuance of 223,000,000 shares of HK$0.10 each on a pro-rata basis to shareholders of the Company at the close of business on 5 February 2004.

23 SHARE OPTION SCHEME

Pursuant to a written resolutions of the shareholders of the Company dated 31 January 2004, a share option scheme ("Share Option Scheme") was approved and adopted.

Under the Share Option Scheme, the Directors may, at their sole discretion, grant to any employee of the Group to take up options at HK$1 per option to subscribe for shares of the Company at the higher of (i) the closing price of shares of the Company as stated in the Stock Exchange's daily quotation sheet on the day of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the day of the offer of the grant; and (iii) the nominal value of shares. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 30% of the relevant shares or securities of the Company in issue from time to time.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not, in aggregate, exceed 32,000,000 shares, representing 10% of the shares in issue upon completion of the placing and the capitalisation issue of the shares of the Company.

As at the date of approval of proforma accounts, no options had been granted under the Share Option Scheme.

24 RESERVES

	Capital reserve (note a) RMB'000	Retained earnings/ (accumulated losses) RMB'000	Statutory reserve fund (note b) RMB'000	Statutory welfare fund (note c) RMB'000	Share issuance costs RMB'000	Total RMB'000
As at 1 January 2002	3,198	(2,973)	–	–	–	225
Profit for the year	–	13,416	–	–	–	13,416
Appropriation of retained earnings	–	(2,792)	1,861	931	–	–
Issue of shares of a subsidiary	1	–	–	–	–	1
Share issuance costs	–	–	–	–	(636)	(636)
As at 31 December 2002	3,199	7,651	1,861	931	(636)	13,006
Profit for the year	–	21,367	–	–	–	21,367
Appropriation of retained earnings	–	(1,645)	1,097	548	–	–
Capitalisation of retained earnings of a subsidiary	5,500	(5,500)	–	–	–	–
Share issuance costs	–	–	–	–	(2,707)	(2,707)
As at 31 December 2003	8,699	21,873	2,958	1,479	(3,343)	31,666

(a) The capital reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries that would have been acquired and capitalised pursuant to the Reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

(b) In accordance with the articles of the subsidiaries established in Mainland China and relevant Mainland China rules and regulations, these subsidiaries are required to set aside 10% of their net profit after taxation as recorded in the Mainland China statutory accounts as the statutory reserve fund, except where the reserve fund balance has reached 50% of the subsidiaries' registered capital. The reserve fund can only be used to make goods previous years' losses, to expand the subsidiaries' production operations, or to increase the capital of the subsidiaries.

(c) In accordance with the articles of the subsidiaries established in Mainland China and relevant Mainland China rules and regulations, these subsidiaries are required to appropriate 5-10% of their net profit after taxation as recorded in the Mainland China statutory accounts as the statutory welfare fund. The directors of the subsidiaries have discretion in determining the percentage within the range specified by the relevant Mainland China rules and regulations. The fund can only be used to provide staff welfare facilities and other collective benefits to the subsidiaries' employees. The fund is non-distributable other than in liquidation.

25 NOTES TO THE PROFORMA CONSOLIDATED CASH FLOW STATEMENTS

Analysis of changes in financing is as follows:

	Short-term bank loans RMB'000	Due to shareholders RMB'000	Due to a minority shareholder of a subsidiary RMB'000	Share issuance costs RMB'000	Capital reserve RMB'000	Minority interests RMB'000	Total RMB'000
As at 1 January 2002	3,000	4,213	300	–	3,198	1,333	12,044
Decrease in amounts due to shareholders	–	(942)	–	–	–	–	(942)
Decrease in amount due to a minority shareholder of a subsidiary	–	–	(300)	–	–	–	(300)
Minority interest's share of losses	–	–	–	–	–	(226)	(226)
Issuance of shares of a subsidiary	–	–	–	–	1	–	1
Share issuance costs	–	–	–	(636)	–	–	(636)
As at 31 December 2002	3,000	3,271	–	(636)	3,199	1,107	9,941
Decrease in amounts due to shareholders	–	(5)	–	–	–	–	(5)
New short-term bank loan	5,000	–	–	–	–	–	5,000
Repayment of short-term bank loan	(200)	–	–	–	–	–	(200)
Minority interest's share of losses	–	–	–	–	–	(202)	(202)
Capitalisation of retained earning of a subsidiary	–	–	–	–	5,500	–	5,500
Share issuance costs	–	–	–	(2,707)	–	–	(2,707)
As at 31 December 2003	7,800	3,266	–	(3,343)	8,699	905	17,327

26 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Significant transactions with related parties are summarised below:

	Note	**2003 RMB'000**	2002 RMB'000
Sales to			
– Fuzhou Jia Hui Enterprise Co., Ltd ("Jia Hui")	(i)	**–**	30
– Sanming Fei Li Gao Technology Co, Ltd ("Fei Li Gao")	(i)	**–**	72
Purchases from Jia Hui	(ii)	**1,948**	10,685
Research and development fees paid to Fei Li Gao	(iii)	**–**	1,250
Advertising fee paid to Fuzhou Ming Jiang Cultural Communication Co., Ltd ("Ming Jiang")	(iv)	**259**	1,209

Notes –

(i) Sales to Jia Hui and Fei Li Gao were conducted in the normal course of business at terms no less than those charged to and contracted with other third party customers of the Group. Jia Hui is beneficially owned by Ms. Chi Bifen ("Ms. Chi"), sister of Mr. Chi Wen Fu ("Mr. Chi"), a shareholder and a director of the Company. Fei Li Gao is beneficially owned by Ms. Zou Li ("Ms. Zou"), a shareholder and a director of the Company.

(ii) Purchases from Jia Hui were conducted in the normal course of business at terms mutually agreed by both parties, which were comparable to those contracted with other third party suppliers of the Group.

(iii) The research and development fees paid to Fei Li Gao were conducted in the normal course of business at terms mutually agreed by both parties.

(iv) The advertising fee paid to Ming Jiang was conducted in the normal course of business at terms mutually agreed by both parties. Ming Jiang is beneficially owned by Ms. Chi.

26 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The prepayment to related parties is summarised below:

	2003 RMB'000	2002 RMB'000
Prepayment for		
– purchase of raw materials from Jia Hui (see note (a)(ii))	**–**	784
– advertising fees to Ming Jiang (see note (a)(iv))	**–**	885
	–	1,669

(c) Details of the amounts due to shareholders are summarised below:

	2003 RMB'000	2002 RMB'000
Mr. Chi	**2,486**	2,491
Ms. Zou	**780**	780
	3,266	3,271

The amounts due to shareholders are unsecured, interest free. Subsequent to year end, the amounts due to shareholders of approximately RMB3,266,000 were capitalised.

(d) As at 31 December 2003, short-term bank loans of approximately RMB2,800,000 (2002: RMB3,000,000) were secured by corporate guarantees provided by Jia Hui.

27 COMMITMENTS

(a) Commitments under operating leases

As at 31 December 2003, the Group had future aggregate minimum lease payments under non-cancellable operating lease as follows:

	2003 RMB'000	2002 RMB'000
Not later than one year	**297**	419
Later than one year and not later than five years	**192**	425
Later than five years	**585**	630
	1,074	1,474

27 COMMITMENTS

(b) **Capital commitments**

As at 31 December 2003, the Group had commitments in respect of purchase of fixed assets (authorised and contracted for) of approximately RMB605,000 (2002: RMB86,000).

28 BANKING FACILITIES

The Group had aggregate banking facilities for short-term bank loans of approximately Rmb7,800,000 as at 31 December 2003. These facilities were secured by corporate guarantee provided by Jia Hui (Note 26) and 福建省三明雙輪化工機械有限公司, an independent third party corporation.

29 SUBSEQUENT EVENTS

In addition to those disclosed elsewhere in the proforma accounts, the following significant events took place subsequent to 31 December 2003:

(a) On 30 January 2004, Alpha Sino International Limited ("Alpha Sino") transferred 20 shares of US$1 each in the capital of New Bright Group Limited to the Company in consideration of, and in exchange for, the allotment and issue of 16,000,000 shares of the Company, credited as fully paid to Alpha Sino, and the Company also credited as fully paid at par the 999,999 shares allotted and issued to Alpha Sino, nil paid, on 11 March 2003 (see Note 22 (a)). Thereafter, Alpha Sino became the ultimate holding company of the Company.

(b) On 30 January 2004, the Company became the holding company of the Group following the reorganisation mentioned in Note 22 and Note 29(a) above in preparation for a listing of the shares of the Company on the GEM. The Company shares were listed on GEM on 17 February 2004.

30 ULTIMATE HOLDING COMPANY

Following the subsequent event as mentioned in Note 29, the Directors regard Alpha Sino International Limited, a company incorporated in British Virgin Islands, as being the ultimate holding company of the Company.

31 APPROVAL OF PROFORMA ACCOUNTS

The proforma accounts were approved by the board of directors on 23 March 2004.